

**KENT COUNTY COUNCIL
INTERNAL AUDIT ANNUAL REPORT
For the Year Ended 31 March 2007**

FOREWORD

The past year has been one of significant change for Internal Audit. The post of Head of Audit & Risk was created and that of Chief Internal Auditor was removed. I was seconded into the Head of Audit & Risk post in September 2006 for a period of 12 months. This report will report and reflect on the events of the past year, and more particularly on the period since September.

The value of Kent County Council's Governance & Audit Committee, in seeking independent, effective assurance about the adequacy of both financial management and management of other processes required to achieve the Council's service objectives, is a crucial part of the governance arrangements of this Council. The Committee is focused on gaining assurance that the Council's governance, risk management and internal control arrangements are adequate and effective. Therefore, it receives regular internal audit reports culminating in this one, which provides an overall opinion on the robustness of the control framework. The annual assurance within this report is one of the sources of evidence for the statement of assurance to be published in the annual accounts.

This annual report reflects upon the outcomes of internal audit activity during 2006/07. It includes:

- an overall opinion on the effectiveness of internal control for 2006/07.
- a summary of irregularities investigated;
- an analysis of audit time by directorate and activity;
- an analysis of Internal Audit performance;
- a summary of audits undertaken and opinions.

If you would like any additional information on this report or the work of Internal Audit, please do not hesitate to contact me.

Andy Wood
Head of Audit & Risk
June 2007

INTERNAL AUDIT ANNUAL REPORT

For the Year Ended 31 March 2007

The assistance of the Authority's staff and management in providing help and information is gratefully acknowledged.

Report Distribution

This report has been distributed to:-

- All Members of Kent County Council
- Managing Directors and Directorates' Senior Management
- PricewaterhouseCoopers

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Kent County Council Internal Audit Annual Report 2006/07

I. Overview

1. Purpose

The purpose of the Internal Audit Annual Report is to:

- Report on key developments in both the Authority and the local government environment which have impacted upon the work and performance of Internal Audit in the year ended 31 March 2007;
- Highlight key challenges and priorities for the forthcoming year;
- Provide an assurance as to the adequacy and effectiveness of the Council's internal control, risk management and governance processes.
- Provide a review of internal audit activity, showing internal audit's objectives, performance and progress for the year ended 31 March 2006;

2. Key Developments in 2006/07

Restructure of KCC's Finance Function

The restructure of the Finance Function brought together the functions of Internal Audit, Risk Management and Insurance, and created the post of Head of Audit & Risk to manage these functions and develop a strategic approach to risk management. This post was unfilled until September 2006, when I was seconded into the post for a period of 12 months. A recruitment exercise is currently underway to find a permanent Head of Audit & Risk.

My focus during my secondment has been to:

- Integrate risk management into our audit planning process
- Develop a modernised approach to audit planning
- Review the working practices, processes and effectiveness of the Internal Audit team
- Ensure risk management continues to be embedded in the Council's procedures

The Chief Officer Group and the Governance and Audit Committee have received reports on my proposals for delivering the first two bullet points above. The process began back in December 2006, putting the infrastructure in place to enable this to happen. Progress is on target, and the second half of the 2007/08 audit plan will be developed using the integrated approach set-out in the report to Governance & Audit Committee in December 2006.

The review of effectiveness of the Internal Audit team has been an interesting piece of work. The team have engaged fully in the process and indeed, many of the ideas for change have come from within the team, or where not, been fully acknowledged by the team as needing to be changed. Virtually all processes have been reviewed and many have been streamlined, improved or simply deleted. The bottom-line impact of this review is that we have implemented a new structure, which took effect

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from 1 April 2007, which will deliver £50,000 per annum cashable savings, and will deliver 2,775 audit days in 2007/08 compared to a target of 2,520 in 2006/07.

A good understanding of Risk management throughout the Authority is vital in a Council like Kent, where the appetite for taking calculated risks is significant, and where services are continuously being transformed to ensure value for money is delivered. We have therefore provided over 100 staff with a one-day workshop on raising awareness of risk management, and will be following this up with meetings with every business unit to help map risks and controls relevant to those Units' business objectives.

Accounts & Audit Regulations 2006

With effect from 1 April 2006, amendments to the Accounts & Audit Regulations require that an annual review of the Council's system of internal control must be undertaken. The findings of this review must be considered by "a committee or members of the Council meeting as a whole", following which they must approve a Statement on Internal Control. A new requirement is an annual review of the effectiveness of Internal Audit, the findings of which must be considered, by the same Member group, as part of their consideration of the system of internal control.

We discussed the idea of complying with this new requirement through a Peer Review of our service with other local authorities. For a number of reasons, this never materialised, so we have carried-out a self-assessment, which is an entirely legitimate approach, the outcome of which is shown at Appendix F

Comprehensive Performance Assessment (CPA)

Under the overall 'Use of Resources' category, scores were awarded for each of five 'key lines of enquiry'. A breakdown of the scores, and comparison with the previous year, shows:

Key line of enquiry	2006 Score (1-4)	2005 Score (1 – 4)
financial reporting	4	3
financial standing	4	4
financial management	4	3
internal control	3	3
value for money	4	3
Overall	4	3

The overall results put Kent at the very top of the Use of Resources assessment in the Country. The 'harder test' continues to be just that for 2007 and maintaining this score will require continuous improvement, and even that may not be enough. The 'blemish' on the scorecard for internal control was not unexpected, nor, more positively, was the improvement for financial reporting and management and for value for money. The common thread for these tests is that the work that is needed to achieve these results goes well beyond that of Corporate Finance, and every effort is being made to improve and maintain these exceptional assessments.

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Freedoms and Flexibilities, and Towards 2010

Excellent status leads to a significant reduction in the number of statutory plans that the Council is required to submit for approval and a reduction in the number of external inspections. It also opens the door to negotiations with central government over a range of other possible freedoms and flexibilities, including opportunities to influence national debate. There is no doubt that this, and the vision encompassed within Towards 2010, has and will continue to encourage greater risk taking among Chief Officers and senior managers of the Council. The challenge for Internal Audit associated with this, is to ensure that risks are taken in the full knowledge of the possible consequences, with the appropriate level of mitigating steps in place to limit any potential financial loss or damage to reputation. Our early involvement in new initiatives, and campaigns to raise awareness of risk management is essential and we have been pro-active in this. In light of this engagement, a revised Risk Management Strategy has been proposed, and risk is now embedded into our decision making. We have supported risk assessments on new projects, such as Kent TV, and have integrated risk assessments into the annual operating plan process.

Partnerships

An audit of partnerships, undertaken by Internal Audit in conjunction with the Audit Commission during 2005/06, revealed that the Council has in excess of 200 arrangements with other bodies, where the shared aim is to improve services.

Partnership working is very much the way things are done in KCC, and this is another example of good practice for which we have been commended. However, whilst there is much to be gained from a release from the bureaucracy of the normal way of doing things, there is increasing risk of losing accountability, financial mismanagement and fraud. The challenge is to get the right level of governance in place, commensurate with the risks posed by each partnership arrangement. Internal Audit has drafted a Risk Assessment guide to working with Partnerships, which is expected to be adopted by the Governance & Audit Committee in June 2007.

3. Key Challenges and Priorities for 2007/08

New external auditors

The Audit Commission (Southern Region) (AC (SR)) have been appointed as our external auditors, replacing PriceWaterhouseCoopers (PwC).

This change will mean building new relationships and new ways of working. It will require negotiations over the reliance that the AC (SR) can place on the work of internal audit. There will inevitably be changes and these need to be agreed and implemented effectively and quickly. This change will be felt across the Council and not just in internal audit, but the role we have to play in a successful transition from PwC to the AC (SR) will be pivotal to the eventual outcome.

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Comprehensive Performance Assessment

The Corporate Assessment will take place in January 2008 and will be a demanding time for officers and members. We will support the process as required and will produce evidence of our work to support the external assessment.

Objective based auditing

Our new approach to audit planning revolves around the risks and controls attached to the delivery of our business objectives. This should evolve to the point where the Terms of Reference for an audit are compiled at the same time as an audit is added to the audit plan. This approach is untried but will have significant benefits both for the audit team and the subjects of the audit. Delivering this new approach will be a significant, but I believe achievable and rewarding challenge

Comprehensive Spending Review 2007

The impact of this is not yet known, although the working assumptions are that Government funding will be frozen at this year's level. This will require greater efficiency across the Council, and the Internal Audit team will need to have value for money embedded into their audit approach. Quite how is yet to be determined, and getting that agreed across the Council will be an important priority for the incoming Head of Audit & Risk

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II. Internal Audit Assurance

1. Background

The Importance of Internal Control and Risk Management

KCC's objectives, its internal organisation and the environment in which it operates are continually evolving and, as a result, the risks it faces are continually changing. A sound system of internal control therefore depends upon a thorough and regular evaluation of the nature and extent of the risks to which the Council is exposed. The purpose of internal control is to help manage risk appropriately, rather than to eliminate it, and thereby ensure that the Authority effectively and efficiently achieves its objectives.

Responsibilities

It is a management responsibility to develop and maintain the most appropriate internal control framework and to ensure that resources are properly applied in the manner and on the activities intended. The Council has formalised this by requesting all Managing Directors to annually review and report upon the adequacy of controls in their directorates and submit controls assurance statements to the Chief Accountant.

It is the responsibility of Internal Audit to form an independent opinion, based on audit reviews performed, on the adequacy and effectiveness of the system of internal control and report this to the Governance & Audit Committee.

Statement on Internal Control

The Accounts & Audit Regulations 2006 requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and to include a statement on internal control, prepared in accordance with proper practice, in its annual accounts.

Kent's approach is to produce a combined governance and control statement, which is informed by a review derived from three key components:

- Self-certification statements prepared by all Managing Directors
- A review of financial controls undertaken by the Director of Finance
- The Internal Audit opinion presented within this report

2. 2005/2006 Audit Assurance

Basis of Audit Assurance

The Internal Audit Section has conducted audits in accordance with auditing standards contained within the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom, which have been accepted by Members of the Governance & Audit Committee as the standard to which the Section works and

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against which performance is evaluated. Audits were planned and performed so as to obtain all the information and explanations considered necessary to gain assurance as to the level of control within the Authority.

Audit Assurance (defined assurances are denoted in italics and detailed in Appendix B):

INTERNAL CONTROLS

Based on the audit work undertaken throughout the year, irregularity investigations and any other relevant information, our overall opinion is that there is ***substantial*** assurance as to the level of control for the management of financial risk in the Council. The standard of budgetary control, particularly for the revenue budget, continues to operate at a good level. The estimating of the timing of delivery of capital projects remains an area for improvement.

In respect of operational risk, our opinion is that there is also ***substantial*** assurance as to the standard of control in place to ensure that business objectives are achieved. However, the main areas of concern still include the recruitment of staff in schools, although much has been and continues to be done to reduce our risks in this area, and is now under regular review by the Governance & Audit Committee. There is also limited assurance around business continuity and disaster recovery planning.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

Based on an annual health check, our overall opinion is that there is ***substantial*** assurance as to the Council's arrangements for Corporate Governance. The governance of partnerships remains an area for improvement, although a robust plan is in place to improve this area, as agreed at the March meeting of the Governance & Audit Committee. In relation to risk management, the process to manage risks remains sound and risk registers have been updated to reflect changing risks.

Recommendations to improve control of risks identified through internal audit activity have been discussed with, and accepted by relevant managers, and will be followed up by Internal Audit during 2007/08. Progress with the implementation of actions agreed by managers for implementation during 2006/07 is summarised in Appendix E. This shows that 84% of all recommendations that should have been implemented by the end of April 2007 had been put in place. I am satisfied, in the main, with the reasons given for the other 16% that haven't yet been implemented, which include improvements in technology that make those recommendations outdated.

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III. Irregularities

The Authority's Financial Regulations require managers to report all suspected irregularities to Internal Audit. During 2006/7, 22 instances of irregular activity were reported and investigated either wholly or in part by the Section. These are summarised below by directorate. The financial loss to the County Council was potentially £211.331, of which over £170,000 has been recovered so far.

Directorate	KCC Resource	Non-KCC Resource	2006/07 Reported Irregularities
Children, Families and Education	11		11
Adult Social Services	4		4
Chief Executive's Department	5		5
Environment & Regeneration	2		2
Communities	0		0
Total	22		22

The number of reported cases has decreased since last year from 27 to 22 and there has been a corresponding decrease in the amount of time spent on investigations. The number of cases of e-mail and internet misuse has reduced, although these are still the most common type of irregularity reported, for which Internal Audit has provided evidence of misuse to support the disciplinary process. Nine members of staff have been suspended in total, of which three chose to resign, and one was issued with a warning. Four cases have been referred to the police. Analysis of the types of incidences reported for each directorate is shown in the following table.

Type of incident reported	CF&E	ASS	CED	E&R	CMY	2006/07 total
Theft of equipment/assets		1				1
Theft/misappropriation of KCC monies	3	1	1			5
Theft of clients'/other organisations monies						
Abuse of e-mail/Internet facilities	6		1	1		8
Misuse of assets						
Victim of external fraud		2	3			5
Inappropriate staff appointments						
Allegations of financial mis-management or misconduct	2			1		3
Total	11	4	5	2		22

All notified irregularities are recorded on a database from which it is possible to analyse the control failures that have occurred. This information is in our assessment of relative risk in the process of preparing the annual audit plan. Five of the above cases were perpetrated because of weaknesses in control systems.

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IV. Internal Audit Activity

1. Mission Statement

Internal Audit's mission is to support service delivery by providing an independent and objective evaluation of our clients' ability to accomplish their business objectives and manage their risks effectively. Our purpose, authority and responsibility are defined within the Internal Audit charter attached at Appendix A.

2. Our Services

Our primary objective is to satisfy Kent County Council's statutory duty under the Accounts & Audit Regulations - to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices. By examining and providing independent assurance about the processes and other measures instituted by managers to control both financial and operational risk, we contribute to the corporate governance of KCC. In so doing, we play a part in achieving the strategic aims of the Authority.

In recognition of the statutory requirement and in accordance with the Code of Practice for Internal Auditing in Local Government in the United Kingdom (CIPFA 2003) the Governance & Audit Committee has resolved that it is the responsibility of Internal Audit to review, appraise and report upon:

- the soundness, adequacy and application of financial and other management controls
- the extent of compliance with, relevance and financial effect of, established policies, plans and procedures
- the extent to which the organisation's assets and interests are accounted for and safeguarded from losses of all kinds arising from:
 - fraud and other offences
 - waste, extravagance and inefficient administration, poor value for money and other causes
- the suitability and reliability of financial and other management data developed within the organisation.

To fulfil our responsibilities, the main services provided are:

- **risk-based audit reviews**, targeting audit resources to the testing of financial and operational processes in accordance with the risk to which they expose the Council, and offering advice as to the mitigation of any risks identified;
- **ICT audit**, delivering reviews of the specialist control environment for the Council's hardware, software and network;
- **Investigation of irregularities**, providing discreet enquiries into cases of actual or alleged cases of fraud or corruption, including liaison with the Police and other investigatory bodies;
- **Provision of advice** on internal control and the management of risk

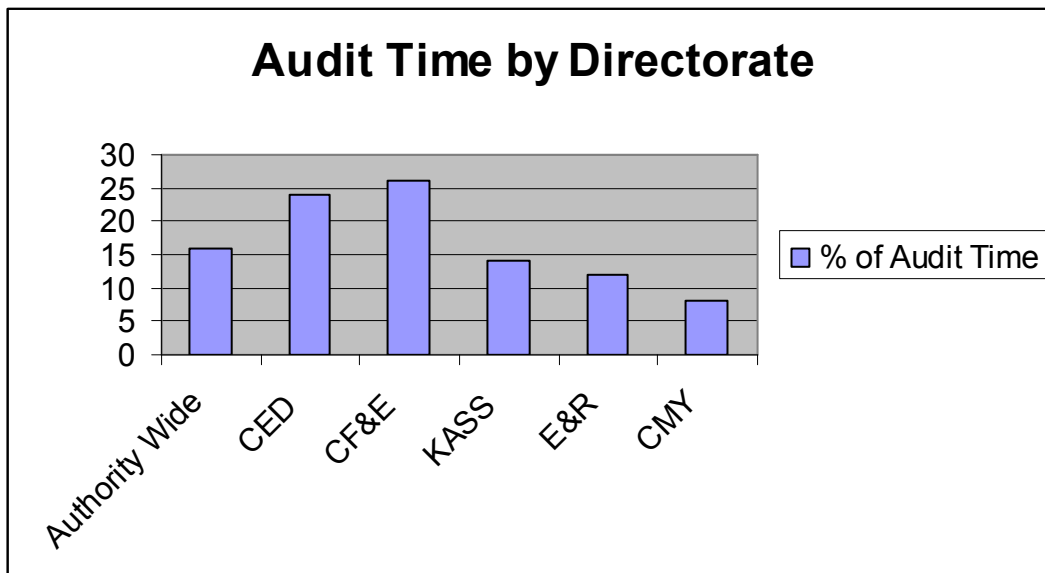
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- **Reporting** of assurances and advice to KCC clients, culminating in this report to Governance & Audit Committee, to provide an overall opinion as to the adequacy of the control environment within the County Council.

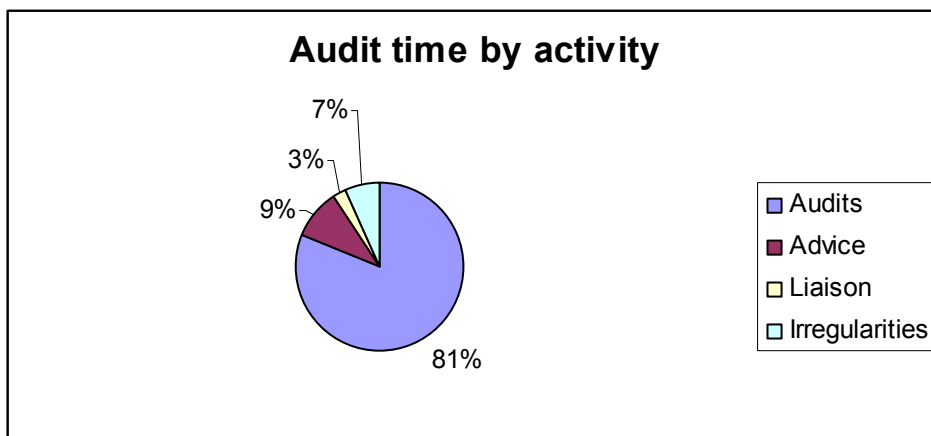
3. Time spent by Directorate and Activity

In 2006/2007 the Internal Audit section spent 81% of total available time in providing audit services.

Although the Section carried out fee based work for external clients including the Kent Fire & Rescue Service, this report analyses the services provided to our primary client, Kent County Council. An analysis of time spent on services for different directorates is shown in the following graph:



This is the first year of the new structure of the Council and there is not therefore a direct comparison of time spent in 2005/06. An analysis of time spent on different types of audit work is shown in the following graph:



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A summary of all the audits reported during the year is given in Appendices C and D to this report.

5. Internal Audit Performance

Performance indicators to facilitate monitoring of the Internal Audit Section's efficiency and effectiveness were agreed by members of the Audit Committee at their meeting on 3 March 2004. These indicators are incorporated into the Section's business plan and are monitored regularly. The outturn for 2006/07 is shown below:

PERFORMANCE INDICATOR	TARGET	OUTTURN
<p><u>Productivity and Efficiency</u> Delivery of audits:</p> <ul style="list-style-type: none"> • Available time spent on direct audit work • Planned audits delivered <p>Delivery date:</p> <ul style="list-style-type: none"> • Draft reports completed within 15 days of finishing fieldwork <p>Overall service:</p> <ul style="list-style-type: none"> • Preparation of the annual audit plan • Periodic reports on progress • Preparation of annual internal audit report 	<p style="text-align: center;">75%</p> <p style="text-align: center;">90%</p> <p style="text-align: center;">89%</p> <ul style="list-style-type: none"> • By March • To all Committee meetings • To coincide with assurance statement 	<p style="text-align: center;">81%</p> <p style="text-align: center;">80%</p> <p style="text-align: center;">80%</p> <p>Reported:</p> <ul style="list-style-type: none"> • 7.3.07 • July, Sept, Dec, March • 29.6.07
<p>Delivery of service within budget: Internal Audit budget actually spent</p>	100% by year end	82%
<p><u>Quality of service</u> Feedback from client questionnaires:</p> <ul style="list-style-type: none"> • Questions responded to positively <p>Feedback from External Auditors:</p> <ul style="list-style-type: none"> • External Audit place reliance on the work of Internal Audit 	<p>93%</p> <p>Positive External Audit report</p>	<p>90%</p> <p>Positive report from PwC</p>
<p><u>Staff Management</u></p> <ul style="list-style-type: none"> • permanent staff in post at 31/3/07 • staff with relevant qualifications 	<p>94%</p> <p>60%</p>	<p>100%</p> <p>59%</p>

Productivity and Efficiency

Targets for delivery of the audit plan have not been met, although performance has increased since 2004/05 from 72% to 74% in 2005/06, and from 74% to 80% in 2006/07. Some of the reasons for not achieving the target are as follows:

- Many audits were delayed during the year at the request of managers who had competing pressures on their time, which had a knock-on impact on the

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scheduling of replacement audits. In addition managers were improving or reviewing their own systems and processes which affected the timing of audits.

- Although the Section has generally had its full complement of staff, it has lost 119 days due to sickness, which has affected our ability to deliver the audit plan.
- During the last six months of the year, we have reviewed our own systems and processes in order to provide a better and improved service to the Authority. This has included a large project involving the technology (TeamMate) that is used within the Section as well as reviewing reports, working papers, and the approach to audit planning.

Cost Effectiveness

Kent Audit is a member of the CIPFA/IPF Audit Benchmarking Club. Through this, information about our costs and productivity is compared against other county councils in our group, including Essex, Hampshire, Hertfordshire, Lancashire, Norfolk, Nottinghamshire, Staffordshire and Surrey. The figures for 2006/07 were not available from IPF at the time of writing this report, nor are budgeted figures for 2007/08

Quality of service

Following the issue of each final audit report, managers are invited to express their views on the way in which the audit was conducted. Responses are regularly reviewed and used to reconsider working practices and address skill gaps. The responses for the year have been collated, and in 2006/07 the overall level of satisfaction was 90%. Comparison with previous years is shown in the following table:

Year	Customer Satisfaction
2001/2002	93%
2002/2003	94%
2003/2004	93%
2004/2005	92%
2005/2006	93%
2006/2007	90%

The overall level of satisfaction has decreased from last year, although this is mainly due to some adverse comments we received on a small number of contracted-out audits. That contract came to an end on 31 March 2007. More positively, more people said that the recommendations made helped them to solve control weaknesses. Responses to specific questions producing the following statistics are shown below (last year's results are shown in brackets):

- **96% (94%) considered the audit was worthwhile and added value to their work.**
- **94% (76%) felt that the recommendations helped to solve the control weaknesses and manage the risks identified in the audit.**

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- **95% (100%) felt that the audit was conducted in a professional and courteous manner.**

External Audit view of Internal Audit

Internal Audit is subject to continuous assessment and examination each year by PricewaterhouseCoopers (PwC). For the seventeenth consecutive year PwC expressed their confidence in the Section and stated that they have placed reliance upon the work carried out by the Section in their audit of the Authority's financial statements and performance.

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V. Introduction to Appendices

Appendix A Internal Audit Charter

Appendix B Definitions of Audit Assurance Levels

Appendix C Analysis of Audit Assurances

An analysis of the audit opinions provided for each audit conducted during 2006/2007, within each directorate, expressed according to the type of risk addressed and, for financial risk, the Financial Control Framework category.

Appendix D Summary of audit assurances by directorate and risk category

A summary of the audit opinions provided to directorates during 2006/2007, expressed against the type of risk addressed and, for financial risk, the Financial Control Framework category.

Appendix E Summary of Progress with Implementation of Audit Recommendations

A summary of assurances provided by managers as to the implementation of action to address risks identified in audit reports by dates agreed during the audits. Recommendations due to be implemented by April 2007 from all audits undertaken since April 2006 have been followed up.

Appendix F Review of the effectiveness of internal audit

Appendix G Internal Audit Contacts

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Appendix A

Internal Audit Charter

Introduction:

This charter formally defines the purpose, authority and responsibility of Internal Audit within Kent County Council.

Purpose:

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Source: CIPFA Code of Practice for Internal Audit in Local Government in the UK (2006).

KCC's mission statement is, "To support service delivery by providing an independent and objective evaluation of our clients' ability to accomplish their business objectives and manage their risks effectively".

Authority:

The requirement for the Council to 'maintain an adequate and effective system of internal audit of its accounting record and its systems of internal control' is contained in the Accounts and Audit Regulations 2003 (amended 2006). This supplements the requirements of Section 151 of the Local Government Act 1972 for the Authority to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs. The council has delegated this responsibility to the Director of Finance.

Responsibility

It is the responsibility of management to establish and maintain systems of corporate governance, risk management and internal control to provide assurance that the Council's objectives are being achieved and to minimise the risk of fraud or irregularity.

Internal Audit will contribute to the corporate governance process by providing an assurance on the effectiveness of these systems of risk management and internal control, making practical recommendations for enhancements where considered necessary. Management has responsibility to implement audit recommendations or accept the risks resulting from not taking action. However, Internal Audit will consider taking matters to higher levels of management or to the Governance and Audit Committee, if it is felt that the risk should not (or need not) be borne.

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Professional Standards:

KCC's Internal Audit activity will conform to standards and guidance contained in CIPFA's 'Code of Practice for Internal audit in Local government in the UK' (2006). This is structured around eleven organisational and operational standards, including minimum standards for the performance and conduct of internal auditors.

Independence and Objectivity

Internal Audit will be sufficiently independent of the activities it audits to enable auditors to perform their duties in a manner that facilitates impartial and effective professional judgements and recommendations.

The Head of Audit and Risk will have free and unrestricted access and freedom to report in his/her own name to the Director of Finance and Chairman of the Governance and Audit Committee.

In addition, Internal Audit will be responsible for determining its priorities based on an evaluation of risk. Auditable areas which are deemed to represent the most significant controls that are operating in order that KCC delivers its business objectives are identified from directorates', annual operating plans, consultation with managers and Internal Audit's experience of the directorates. These are used to determine the strategic and annual audit plans. The audit plan will be flexible enough to accommodate the needs of senior management and Members depending on the relative significance of emerging risks. The Governance and Audit Committee will approve the plan and at each of its meetings will receive reports summarising significant finding of audit work undertaken.

Internal Audit will also report to the Governance and Audit Committee, at each of its meetings, progress on the directorates' implementation of recommendations made by Internal Audit.

Objectivity will be preserved by ensuring that all members of staff are free from any conflicts of interest and do not undertake any duties that they could later be called upon to audit, including where members of staff have been involved in, for example working groups, consultancy etc.

Audit Scope

Internal Audit activity will be undertaken to provide assurance to the Director of Finance and the Governance and Audit Committee as to the adequacy and effectiveness of the Councils' systems for corporate governance, risk management and internal control. It will include:

- Reviewing the soundness, adequacy and application of financial and other management controls;
- Reviewing the extent of compliance with, relevance and financial impact on strategic and operational goals of established policies, plans and procedures;

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- Reviewing the extent to which the organisation's assets and interests are accounted for and safeguarded from losses arising from:
 - Fraud and other offences
 - Waste, extravagance and inefficient administration, poor value for money and other causes
- Reviewing the suitability and reliability of financial and other management data developed within the organisation
- Reviewing awareness of risk and its control and providing advice to management on risk mitigation and internal control in financial or operational areas where new systems are being developed or where improvements are sought in the efficiency of existing systems
- Promote and raise fraud awareness

Internal Audit is not relieved of its responsibilities in areas of the Authority's business that are subject to review by others but will assess the extent to which it can rely upon the work of others and co-ordinate its audit planning with the plans of such review agencies.

The Head of Audit and Risk will provide an annual audit opinion as to the adequacy of the Councils internal controls and risk management processes. This will be used to support the Statement of Internal Control.

Fraud and Irregularity

Internal Audit does not have to investigate all cases of potential frauds and irregularities, however they must all be reported to the Head of Audit and Risk or the Senior Audit Manager. Internal Audit will report to the Governance and Audit Committee at the conclusion of each investigation, a summary of the fraud/irregularity, control weaknesses and the outcome. If a significant fraud or irregularity is identified this will be brought to the attention of the Chairman of the Governance and Audit Committee at the time of the investigation.

Right of Access

To fulfil its objectives, Internal Audit will be granted unrestricted access to all staff, Members records (documentary and electronic), assets and premises, deemed necessary in the course of its duties.

Review of the Effectiveness of the System of Internal Audit

In accordance with the Accounts and Audit Regulations (2006), there is a requirement for an annual review of the effectiveness of the system of internal audit, this is also part of the wider annual review of the effectiveness of the system of internal control. The Head of Audit and Risk will carry out an annual review of the Internal Audit function which will be reported to the Governance and Audit Committee to enable it to consider the findings of the review. In addition, the Head of Audit and Risk will arrange for an independent review to be carried out, at least every three/five years which will be reported to the Governance and Audit Committee.

June 2007

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Appendix B

Definitions of Audit Assurance Levels

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.

Analysis of Audit Assurances

Report	Directorate	Audit Plan	Overall Opinion	Financial Risks									Operational Risks		
				Budget Mngment	Payroll	Payment	Income	Banking & Cash Handling	Accounting Systems & Processes	Resource Mngment	General Financial Control	Procurement	Governance	Business Process	Info System
	Authority-wide														
Sep 06	Brought forward from 2005/06 Plan Financial Delegations	✓	S								S				
Sep 06	Risk Management	✓	S									S			
Sep 06	Partnership Arrangements	✓	L									L			
Sep 06	Local Public Service Agreements 2	✓	S										S		
Sep 06	Capital Management	✓	L	L										L	
Sep 06	2006/07 Plan Remote Access, VPNs & Thin Client	✓	S												S
Dec 06	<i>ICT Policy & Strategy Documentation</i>	✓	S									S			
June 07	Trading Companies	✓	L											L	
June 07	BS57799	✓	H											H	
June 07	Telephone PBX	✓	S											S	
June 07	<i>Follow up ICT Disaster Recovery</i>	✓	L											L	

KEY - AUDIT ASSURANCES:
Assurances for key systems shown in bold

H = High

S = Substantial

L= Limited

M = Minimal

Appendix C

Report	Directorate	Audit Plan	Overall Opinion	Budget Mngment	Payroll	Payment	Income	Banking & Cash Handling	Accounting Systems & Processes	Resource Mngment	General Financial Control	Procurement	Governance	Business Process	Info System
	Chief Executive's Department														
Sep 06	Brought forward from 2005/06 Plan Income and Debt Recovery	✓	L				L								
Sep 06	Enterprise	✓	L							L					
Sep 06	Microsoft Exchange	✓	S												S
Sep 06	Network Management	✓	S												S
Sep 06	Commercial Services Debt Management	✓	S				S								
Sep 06	2006/07 Plan Accounts Closedown	✓	S						S						
Dec 06	Treasury Management & CHAPS	✓	S			S				S					
Mar 07	IDOX Document Imaging & Management System	✓	S											S	S
Mar 07	Bank Reconciliations	✓	S						S						
Mar 07	Tender Opening Procedures	✓	S									S			
Mar 07	Members Expenses	✓	S												

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Assurances for key systems shown in bold

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Appendix C

Report	Directorate	Audit Plan	Overall Opinion	Budget Mngment	Payroll	Payment	Income	Banking & Cash Handling	Accounting Systems & Processes	Resource Mngment	General Financial Control	Procurement	Governance	Business Process	Info System
Mar 07	Commercial Services Suspense Accounts & In Tray	✓	S						S						
Mar 07	Revenue Budget Management	✓	S	S											
Mar 07	VAT Sports Lettings	✓	L					L							
June 07	VAT provision of asylum seekers services	✓	S				S								
June 07	Payroll	✓	S		S										
June 07	Physical Security & Environmental Controls	✓	S												
June 07	VAT payments to providers of Care (Adult Social Services)	✓	S				S								
June 07	Technical Administration of the Oracle Financial, HR & Payroll System	✓	S												S
June 07	Commercial Services CODA	✓	S												S
June 07	Commercial Services Insurance Funds	✓	L						L						

KEY - AUDIT ASSURANCES: H = High S = Substantial L= Limited M = Minimal
 Assurances for key systems shown in bold

Appendix C

Report	Directorate	Audit Plan	Overall Opinion	Budget Mngment	Payroll	Payment	Income	Banking & Cash Handling	Accounting Systems & Processes	Resource Mngment	General Financial Control	Procurement	Governance	Business Process	Info System
	Children, Families & Education														
Sep 06	<i>Brought forward from 2005/06 Plan</i> Use of IT Equipment in Educational Establishments	✓	L												L
Sep 06	Children's Centres	✓	M								M				
Sep 06	2006/07 Plan Recruitment Procedures in Schools follow up	✓	M											M	
Mar 07	VAT Sports Lettings	✓	L						L						
Mar 07	Home to School Transport Mainstream	✓	H	H											
Mar 07	Home to School Transport AEN	✓	H	H											
June 07	Foster & Adoption Payments	✓	S			S									
June 07	Schools Advisory Service	✓	H												
June 07	Student Awards	✓	H											H	
June 07	Attendance & Behaviour Safer Schools	✓	S											S	
June 07	Schools Managed Capital Projects	✓	S							S					

KEY - AUDIT ASSURANCES:
Assurances for key systems shown in bold

H = High

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Appendix C

Report	Directorate	Audit Plan	Overall Opinion	Budget Mngment	Payroll	Payment	Income	Banking & Cash Handling	Accounting Systems & Processes	Resource Mngment	General Financial Control	Procurement	Governance	Business Process	Info System
	Adult Social Services														
	<i>Brought forward from 2005/06 Plan</i>														
Sep 06	Direct Payments	✓	S			S									
Sep 06	Canterbury DOS	✓	S								S				
	2006/07 Plan														
Sep 06	Gypsy Unit – Income Collection	✓	M				M								
Sep 06	Longfield TRACS	✓	S								S				
Sep 06	Thanet DOS - Follow up	✓	S								S				
Dec 06	Shepway Resource Centre	✓	S								S				
Dec 06	Riverside Day Service	✓	H								H				
June 07	Swift pre Implementation Review	✓	S												S
June 07	Domiciliary Care TDM	✓	L			L									
June 07	Former Self Funders	✓	L											L	
June 07	Residential Care Mental Health Payments	✓	S			S									
June 07	Voluntary Organisations	✓	S			S									

KEY - AUDIT ASSURANCES:
Assurances for key systems shown in bold

H = High

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Appendix C

Report	Directorate	Audit Plan	Overall Opinion	Budget Mngment	Payroll	Payment	Income	Banking & Cash Handling	Accounting Systems & Processes	Resource Mngment	General Financial Control	Procurement	Governance	Business Process	Info System
	Environment & Regeneration														
Sep 06	<i>Brought forward from 2005/06 Plan</i> Planning Applications	✓	S				S								
Dec 06	2006/07 Plan Environmental Information Regulations	✓	H											H	
Mar 07	Public Transport Contracts	✓	L									L			
June 07	Transport Network Management	✓	S	S											
June 07	KHS Coastal Protection	✓	L						L						
	Communities Directorate														
Mar 07	2006/07 Plan <i>Kent Drug & Alcohol Team</i>	✓	S	S											
Mar 07	<i>Adult Education Fee Income</i>	✓	S				S								
June 07	Youth & Community	✓	H					H							
June 07	Libraries	✓	S											S	

KEY - AUDIT ASSURANCES:
Assurances for key systems shown in bold

H = High

S = Substantial

L= Limited

M = Minimal

Summary of Audit Assurances - by Directorate and Risk Category

Directorate	FINANCIAL RISK							OPERATIONAL RISK			
	Budget Management	Payroll	Expenditure	Income	Banking & Cash Handling	Accounting Systems & Processes	General Financial Control	Resource Management	Governance & Legal	Business systems	Information Systems
Authority wide	L						S		S	L	S
Chief Executive's Department	S	S	S	S	L	S		S	S		S
Children Families & Education	H		S			L	M	S		L	L
Adult Social Services			S	M			S				S
Environment & Regeneration	S			S		L	L			H	
Communities	S			S	H					S	
OVERALL	S	S	S	S	S	S/L	S	S	S	S	S
2005/06 OVERALL	S	L	S	L	S	S	S	S	S	L	L

KEY - AUDIT ASSURANCES: H = High S = Substantial L = Limited M = Minimal
 Assurances for key systems shown in bold

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Appendix E

Summary of Progress with the Implementation of Audit Recommendations

Directorate	Total actions due to be implemented by end of April 2007	Actions in place
Section 151 and Governance	39	34
Authority Wide	24	12
Chief Executive's Department	43	34
Children Families & Education	56	54
Adult Social Services	81	77
Communities	40	30
Environment & Regeneration	14	9
Total	297	250

The Review of the Effectiveness of the System of Internal Audit

The Accounts and Audit (Amendment) (England) Regulations came into force on 1 April 2006. Whilst many of the amendments clarify or correct elements of the 2003 Regulations, two of the amended regulations in particular have an impact on the process for preparing the SIC.

Regulation 4 requires the finding of the review of the system of internal control to be considered by a committee of the relevant body, or by members of the body meeting as a whole.

Regulation 6 requires bodies to review the effectiveness of their system of internal audit once a year and for the findings of the review to be considered by a committee of the body, or by the body as a whole, as part of the consideration of the system of internal control referred to in regulation 4.

The Department for Communities & Local Government (DCLG) cites the CIPFA Code of Practice for Internal Audit in local government in the United Kingdom as proper practice in relation to internal audit. The 2006 update was published in December and includes an Internal Audit Checklist (Appendix X).

Internal Audit had a review in 2003 by our external auditors PwC who made a number of recommendations, this was reported to the then Audit Committee in x. Progress on the implementation of the recommendations was reported to the March 2004 Audit Committee.

For 2006 07 Internal Audit has carried out a self assessment using the CIPFA Internal Audit Checklist which has 11 'Standards' and 37 sub headings.

Generally, Internal Audit, meets the majority of the expected standards set out in the Checklist. Where there are gaps, an action plan has been prepared to address these. For 2007/08, KCC's external auditors, the Audit Commission, will be carrying out an independent review.

CODE OF PRACTICE - INTERNAL AUDIT CHECKLIST – 2006

Please tick to indicate Y = YES, P = PARTIAL, N = NO. Where you tick 'partial' or 'no', you should give reasons for any non-compliance, and any compensating measures in place or actions in progress to address this.

Ref		Y	P	N	Evidence
1	SCOPE OF INTERNAL AUDIT				
1.1	Terms of Reference				
1.1.1	Do terms of reference:				
	a) establish the responsibilities and objectives of Internal Audit?	Y			
	b) establish the organisational independence of Internal Audit?	Y			
	c) establish the accountability, reporting lines and relationships between the Head of Internal Audit and:				
	i) those charged with governance?	Y			
	ii) those parties to whom the Head of Internal Audit may report?	Y			
	d) recognise that Internal Audit's remit extends to the entire control environment of the organisation?	Y			
	e) identify Internal Audit's contribution to the review of the effectiveness of the control environment?	Y			
	f) require and enable the Head of Internal Audit to deliver an annual audit opinion?	Y			
	g) define the role of Internal Audit in any fraud-related or consultancy work [see also 1.3.2)?	Y			
	h) explain how Internal Audit's resource requirements will be assessed?	Y			
	i) establish Internal Audit's right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?	Y			
1.1.2	Does the Head of Internal Audit advise the organisation on the content and the need for subsequent review of the terms of reference?	Y			
1.1.3	Have the terms of reference been formally approved by the organisation?	Y			
1.1.4	Are terms of reference regularly reviewed?	Y			
1.2	Scope of Work				
1.2.1	Are the organisation's assurance, risk management arrangements and monitoring mechanisms taken into account when determining Internal Audit's work and where effort should be concentrated?	Y			
1.2.2	Where services are provided in partnership has the Head of Internal Audit identified:				
	a) how assurance will be sought?	Y			
	b) agreed access rights where appropriate?	Y			

Appendix F

Ref		Y	P	N	Evidence
1.3	Other Work				
1.3.1	Where Internal Audit undertakes consultancy and/or fraud and corruption work, does it have the: a) skills, and b) resources to do this?	Y Y			
1.3.2	Do the terms of reference define Internal Audit's role in: a) fraud and corruption? b) consultancy work?	Y Y			
1.4	Fraud and Corruption				
1.4.1	Has the Head of Internal Audit made arrangements, within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	Y			
2	INDEPENDENCE				
2.1	Principles of Independence				
2.1.1	Is Internal Audit: a) independent of the activities it audits? b) free from any non-audit [operational) duties?	Y Y			
2.1.2	Where internal audit staff have been consulted during system, policy or procedure development, are they precluded from reviewing and making comments during routine or future audits?		P		
2.2	Organisational Independence				
2.2.1	Does the status of Internal Audit allow it to demonstrate independence?	Y			
2.2.2	Does the Head of Internal Audit have direct access to: a) officers? b) members?	Y Y			
2.2.3	Does the Head of Internal Audit report in his or her own name to members and officers?	Y			
2.2.4	a) Is there an assessment that the budget for Internal Audit is adequate? b) Does any budget delegated to service areas ensure that: i) Internal Audit adherence to the Code is not compromised? ii) the scope of Internal Audit is not affected? iii) Internal Audit can continue to provide assurance for the Statement on Internal Control?	Y N/A			
2.3	Status of the Head of Internal Audit				

Appendix F

Ref		Y	P	N	Evidence
2.3.1	Is the Head of Internal Audit managed by a member of the corporate management team?	Y			
2.4	Independence of Internal Audit Contractors				
2.4.1	Does the planning process recognise and tackle potential conflicts of interest where contractors also provide non-internal audit services?	N/A			
2.5	Declaration of Interest				
2.5.1	Do audit staff make formal declarations of interest?	Y			
2.5.2	Does the planning process take account of the declarations of interest registered by staff?	Y			
3	ETHICS FOR INTERNAL AUDITORS				
3.1	Purpose				
3.1.1	Does the Head of Internal Audit regularly remind staff of their ethical responsibilities?		P		
3.2	Integrity				
3.2.1	Has the internal audit team established an environment of trust and confidence?	Y			
3.2.2	Do internal auditors demonstrate integrity in all aspects of their work?	Y			
3.3	Objectivity				
3.3.1	Are internal auditors perceived as being objective and free from conflicts of interest?	Y			
3.3.2	Is a time period set by the Head of Internal Audit for staff where they do not undertake an audit in an area where they have had previous operational roles?		P		
3.3.3	Are staff rotated on regular/annually audited areas?		P		
3.4	Competence				
3.4.1	Does the Head of Internal Audit ensure that staff have sufficient knowledge of: a) the organisation's aims, objectives, risks and governance arrangements? b) the purpose, risks and issues of the service area? c) the scope of each audit assignment? d) relevant legislation and other regulatory arrangements that relate to the audit?		P		
3.5	Confidentiality				
3.5.1	Do internal audit staff understand their obligations in respect to confidentiality?	Y			
4	AUDIT COMMITTEES				
4.1	Purpose of Audit Committee				
4.1.1	Does the organisation have an independent audit committee?	Y			

Appendix F

Ref		Y	P	N	Evidence
4.2	Internal Audit's Relationship with the Audit Committee				
4.2.1	Is there an effective working relationship between the audit committee and Internal Audit?	Y			
4.2.2	Does the committee approve the internal audit strategy and monitor progress?	Y			
4.2.3	Does the committee approve the annual internal audit plan and monitor progress?	Y			
4.2.4	Does the Head of Internal Audit: a) attend the committee and contribute to its agenda? b) participate in the committee's review of its own remit and effectiveness? c) ensure that the committee receives and understands documents that describe how Internal Audit will fulfil its objectives? d) report on the outcomes of internal audit work to the committee? e) establish if anything arising from the work of the committee requires consideration of changes to the audit plan, or vice versa? f) present the annual internal audit report to the committee?	Y Y Y Y	 P	N	
4.2.5	Is there the opportunity for the Head of Internal Audit to meet privately with the audit committee?	Y			
5	RELATIONSHIPS				
5.1	Principals of Good Relationships				
5.1.1	Is there a protocol that defines the working relationship for Internal Audit with: a) management? b) other internal auditors? c) external auditors? d) other regulators and inspectors? e) elected members?	Y Y Y Y	 P		
5.2	Relationships with Management				
5.2.1	Does the Head of Internal Audit seek to maintain effective relationships between internal auditors and managers?	Y			
5.2.2	Is the timing of audit work planned in conjunction with management?	Y			
5.3	Relationships with Other Internal Auditors				
5.3.1	Do arrangements exist with other internal auditors that include joint working, access to working papers, respective roles and confidentiality?	Y			
5.4	Relationships with External Auditors				
5.4.1	Is it possible for Internal Audit and External Audit to rely on each other's work?	Y			

Appendix F

Ref		Y	P	N	Evidence
5.4.2	Are there regular meetings between the Head of Internal Audit and the External Audit Manager?	Y			
5.4.3	Are the internal and external audit plans co-ordinated?	Y			
5.5	Relationships with Other Regulators and Inspectors				
5.5.1	Has the Head of Internal Audit sought to establish a dialogue with the regulatory and inspection agencies that interact with the organisation?			N	
5.6	Relationships with Elected Members				
5.6.1	Do the terms of reference for Internal Audit define the channels of communication with members and describe how such relationships should operate?	Y			
5.6.2	Does the Head of Internal Audit maintain good working relationships with members?	Y			
6	STAFFING, TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT				
6.1	Staffing Internal Audit				
6.1.1	Is Internal Audit appropriately staffed (numbers, grades, qualifications, personal attributes and experience) to achieve its objectives and comply with these standards?	Y			
6.1.2	Does the Head of Internal Audit have access to appropriate resources where the necessary skills and expertise are not available within the internal audit team?	Y			
6.1.3	Is the Head of Internal Audit professionally qualified and experienced?	Y			
6.1.4	Does the Head of Internal Audit have wide experience of internal audit and management?	Y			
	a) Do all internal audit staff have up-to-date job descriptions?	Y			
	b) Are there person specifications that define the required qualifications, competencies, skills, experience and personal attributes for internal audit staff?	Y			
6.2	Training and Continuing Professional Development				
6.2.1	a) Has the Head of Internal Audit defined the skills and competencies for each level of auditor?	Y			
	b) Are individual auditors periodically assessed against these predetermined skills and competencies?	Y			
	c) Are training or development needs identified and included in an appropriate ongoing development programme?	Y			
	d) Is the development programme recorded, regularly	Y			

Appendix F

Ref		Y	P	N	Evidence
	reviewed and monitored?				
6.2.2	Do individual auditors maintain a record of their professional training and development activities?	Y			
7	AUDIT STRATEGY AND PLANNING				
7.1.1	a) Is there an internal audit strategy for delivering the service? b) Is it kept up to date with the organisation and its changing priorities?	Y Y			
7.1.2	Does the strategy include: a) Internal Audit objectives and outcomes? b) how the Head of Internal Audit will form and evidence his or her opinion on the control environment? c) how Internal Audit's work will identify and address local and national issues and risks? d) how the service will be provided, i.e. internally, externally, or a mix of the two? e) the resources and skills required to deliver the strategy?	Y Y Y	P P		
7.1.3	Has the strategy been approved by the audit committee?		P		
7.2	Audit Planning				
7.2.1	Is there a risk-based plan that is informed by the organisation's risk management, performance management and other assurance processes?	Y			
7.2.2	Where the risk management process is not fully developed or reliable, does the Head of Internal Audit undertake his or her own risk assessment process?	Y			
7.2.3	Are stakeholders consulted on the audit plan?	Y			
7.2.4	Does the plan demonstrate a clear understanding of the organisation's functions?	Y			
7.2.5	Does the plan: a) cover a fixed period of no longer than one year? b) outline the assignments to be carried out? c) prioritise assignments? d) estimate the resources required? e) differentiate between assurance and other work? f) allow a degree of flexibility Show Desktop.scf	Y Y Y Y Y Y			
7.2.6	If there is an imbalance between the resources available and resources needed to deliver the plan, is the audit committee informed of proposed solutions?	Y			
7.2.7	Has the plan been approved by the audit committee?	Y			

Appendix F

Ref		Y	P	N	Evidence
7.2.8	If significant matters arise that jeopardise the delivery of the plan, are these addressed and reported to the audit committee?	Y			
8	UNDERTAKING AUDIT WORK				
8.1	Planning				
8.1.1	a) Is a brief prepared for each audit? b) Is the brief discussed and agreed with the relevant managers?	Y Y			
8.1.2	Does the brief set out: a) objectives? b) scope? c) timing? d) resources? e) reporting requirements?	Y Y Y Y Y			
8.2	Approach				
8.2.1	Is a risk-based audit approach used?	Y			
8.2.2	Does the audit approach show when management should be informed of interim findings where key (serious) issues have arisen?		P		
8.2.3	Does the audit approach include a quality review process for each audit?	Y			
8.3	Recording Audit Assignments				
8.3.1	Has the Head of Internal Audit defined a standard for audit documentation and working papers?	Y			
8.3.2	Do quality reviews ensure that the defined standard is followed consistently for all audit work?		P		
8.3.3	Are working papers such that an experienced auditor can easily: a) identify the work that has been performed? b) re-perform it if necessary? c) see how the work supports the conclusions reached?	Y			
8.3.4	Is there a defined policy for the retention of all audit documentation, both paper and electronic?	Y			
8.3.5	Do all retention and access policies conform to appropriate, legislation, i.e. Data Protection Act, Freedom of Information Act, etc and any organisational requirements?	Y			
8.3.6	Is there an access policy for audit files and records?	Y			

Appendix F

Ref		Y	P	N	Evidence
9	DUE PROFESSIONAL CARE				
9.2	Responsibilities of the Individual Auditor				
9.2.1	<p>Are there documents that set out the requirements on all audit staff in terms of:</p> <p>a) being fair and not allowing prejudice or bias to override objectivity?</p> <p>b) declaring interests that could be perceived to be conflicting or could potentially lead to conflict?</p> <p>c) receiving and giving gifts and hospitality from employees, clients, suppliers or third parties?</p> <p>d) using all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base conclusions?</p> <p>e) being alert to the possibility of intentional wrongdoing, errors or omissions, poor value for money, failure to comply with management policy or conflict of interest?</p> <p>f) having sufficient knowledge to identify indicators that fraud or corruption may have been committed?</p> <p>g) disclosing all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice?</p> <p>h) disclosing any non-compliance with these standards?</p> <p>i) not using information they gain in the course of their duties for personal use?</p>	Y			
9.3	Responsibilities of the Head of Internal Audit				
9.3.1	Has the Head of Internal Audit established a monitoring and review programme to ensure that due professional care is achieved and maintained?		P		
9.3.2	Are there systems in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct?	Y			
10	REPORTING				
10.1	Principles of Reporting				
10.1.1	Is an opinion on the control environment and risk exposure given in each audit report?	Y			
10.1.2	Has the Head of Internal Audit determined the way in which Internal Audit will report?	Y			
10.1.3	Has the Head of Internal Audit set out the standards for internal audit reporting?	Y			
10.1.4	Are there laid-down timescales for reports to be issued?	Y			
10.2	Reporting on Audit Work				
10.2.1	Do the reporting standards include:				

Appendix F

Ref		Y	P	N	Evidence
	a) format of the reports? b) quality assurance of reports? c) the need to state the scope and purpose of the audit? d) the requirement to give an opinion? e) process for agreeing reports with the recipient? f) an action plan or record of points arising from the audit and, where appropriate, of agreements reached with management together with appropriate timescales?	Y Y Y Y Y Y			
10.2.2	Does the audit reporting process include discussion and agreement of reports?	Y			
10.2.3	Has the Head of Internal Audit determined a process for prioritising recommendations according to risk?		P		
10.2.4	Are areas of disagreement recorded appropriately?	Y			
10.2.5	Are those weaknesses giving rise to significant risks that are not agreed drawn to the attention to senior management?		P		
10.2.6	Is the circulation of each audit report determined when preparing the audit brief?	Y			
10.2.7	a) Does the reporting process include details of circulation of that particular audit report? b) Is this included in the brief for each individual audit?	Y		N	
10.2.8	Does the Head of Internal Audit have mechanisms in place to ensure that: a) recommendations that have a wider impact are reported to the appropriate forums? b) risk registers are updated?	Y	P		
10.3	Follow-up Audits and Reporting				
10.3.1	Has the Head of Internal Audit defined the need for and the form of any follow-up action?	Y			
10.3.2	Has the Head of Internal Audit established appropriate escalation procedures for internal audit recommendations not implemented by the agreed date?	Y			
10.3.3	Where appropriate, is a revised opinion given following a follow-up audit and reported to management?	Y			
10.3.4	Are the findings of audits and follow-ups used to inform the planning of future audit work?	Y			
10.4	Annual Reporting and Presentation of Audit				

Appendix F

Ref		Y	P	N	Evidence
	Opinion				
10.4.1	Does the Head of Internal Audit provide an annual report to support the Statement on Internal Control?	Y			
10.4.2	Does the Head of Internal Audit's annual report: <ul style="list-style-type: none"> a) include an opinion on the overall adequacy and effectiveness of the organisation's control environment? b) disclose any qualifications to that opinion, together with the reasons for the qualification? c) present as summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies? d) draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Statement on Internal Control? e) compare the actual work undertaken with the planned work and summarise the performance of the internal audit function against its performance measures and targets? f) comment on compliance with the standards of the Code? g) communicate the results of the internal audit quality assurance programme? 	Y Y Y Y Y Y Y			
10.4.3	Has the Head of Internal Audit made provision for interim reporting to the organisation during the year?	Y			
11	PERFORMANCE, QUALITY AND EFFECTIVENESS				
11.1	Principles of Performance, Quality and Effectiveness				
11.1.1	Is there an audit manual?	Y			
11.1.2	Does the audit manual provide guidance on: <ul style="list-style-type: none"> a) carrying out day-to-day audit work? b) complying with the Code? 	Y Y			
11.1.3	Is the audit manual reviewed regularly and updated to reflect changes in working practices and standards?		P		
11.1.4	Does the Head of Internal Audit have arrangements in place to assess the performance and effectiveness of: <ul style="list-style-type: none"> a) each individual audit? b) the internal audit service as a whole? 	Y Y			
11.2	Quality Assurance of Audit Work				
11.2.1	Does the Head of Internal Audit have a process in place to ensure that work is allocated to auditors who have the appropriate skills, experience and competence?	Y			
11.2.2	Does the Head of Internal Audit have a process in	Y			

Appendix F

Ref		Y	P	N	Evidence
	the performance management and quality assurance programme in the annual audit report?				
11.3.6	Does the Head of Internal Audit provide evidence from his or her review of the performance and quality of the internal audit service to the organisation for consideration as part of the annual review of the effectiveness of the system of internal audit?		P		

Internal Audit Contacts

Responsibility	Audit Management	Other Contacts	
Head of Audit & Risk	Andy Wood ☎ 4622		
Senior Audit Manager	Janet Armstrong ☎ 4567		
General Enquiries Audit Help Desk ☎ 4636			
Teams			
Children, Families & Education, Communities, & Chief Executive's Department	Ann Mannell Audit Manager ☎ 4664	Bonita Knighton Senior Auditor ☎ 4544 Gwyn Persich Auditor ☎ 4938	Patience Ogunbona Auditor ☎ 4548 Vicki Gabriel Auditor ☎ 4548
Adult Social Services, Environment & Regeneration	June Lamb Audit Manager ☎ 4695	Siobhan Cheeseman Senior Auditor ☎ 4357	Hazel Goodwin Auditor ☎ 4695 Auditor (Vacant)
Section 151 & Corporate Governance	Julie Samson Audit Manager ☎ 4611	Sangeeta Surana Senior Auditor ☎ 4580	Ron Herivel Auditor ☎ 4668 Auditor (Vacant)
Information Technology	Peggy Colwell Audit Manager ☎ 4576	Senior Auditor (Vacant)	Auditor (Vacant)