

By: The Director of Finance Item 7

To: Governance & Audit Committee – 20 September 2006

Subject: Potential Performance Reviews by PwC

Classification: Unrestricted

Summary: This report asks Members to consider potential areas of Performance Review work by PwC during 2006/07

FOR DECISION

1 INTRODUCTION

1.1 As requested at the June Governance and Audit Committee this paper has been prepared to set out the potential pieces of performance work that Members may want PwC to undertake during 2006/07.

1.2 Officers and PwC have had an initial discussion to ensure that these projects would provide additional value to the work already undertaken by the Council in the areas they cover. This paper has been prepared for the Members of the Governance and Audit Committee to provide a summary of what the work will involve and why it is proposed.

2 TOPICS FOR REVIEW

2.1 Highways

2.1.1 The Highways section has undergone significant change over the last 14 months, including the appointment of a new Divisional Director. This includes bringing the highways function back in-house to form the Kent Highways Alliance and also a new partnership arrangement has been agreed with the main highways contractors. Due to these significant changes this was an area of risk identified by PwC in their 2006/07 External Audit Plan.

2.1.2 The review would cover two aspects, these are:

- The use of a financial modelling specialist to review the Highways funding allocation model, including challenging this for robustness and ensuring that funding is being targeted to the right areas, in accordance with need and the Authority's policies; and

- The use of a Highways specialist to undertake a review of the new Highways arrangements, including the new partnership, to see if this is achieving the expected results, including efficiencies and service improvements. The specialist could also suggest areas of best practice seen elsewhere that may improve the current service.

2.2 Environmental policies

2.2.1 Environmental strategies and policies are currently high up on the agendas of both public and private sector organisations and are linked to the wider corporate social responsibilities of large organisations. Kent's Environment Board has been in place for several years and a new Chair has just been installed. Now would be a good time to review our environmental strategy and policies and how they are being implemented in each of the Directorates and particularly how their own policies and business plans are linked to this strategy.

2.2.2 PwC will use their environmental specialists from their sustainability team to review the Authority's environmental strategy and policies, how they are being embedded throughout the organisation and also how the various Directorate initiatives are being monitored corporately.

2.3 On-line payments system

2.3.1 As part of Kent's commitment to ensuring widespread e-access to services a new on-line payment and receipting system has been implemented within the Authority for certain services. It is expected that this system will be expanded and used by more and more services. On-line payment and receipting systems are a fast and efficient way of paying selected suppliers and for service users to pay for specific services. However, new systems present a number of risks to the organisation and KCC needs assurance that the system has been designed and implemented with adequate controls to prevent the risk of misstatement or misappropriation of finances and that these controls are operating effectively.

2.3.2 PwC will use IT audit specialists to undertake the following work:

- review of the application controls in place over this system;
- testing of system security and data integrity;
- review of the segregation of duties; and
- a post implementation review.

2.3.3 This review will provide assurance to Members and officers over the controls in place for the system and will make recommendations for improvements that can be implemented before any wider roll-out of the system.

2.4 Risk Management

2.4.1 The Finance Department has been restructured and as part of this new structure a post has been created titled Head of Audit and Risk. This position has been created to provide a more strategic overview of the Authority's management of risk and how risk is being managed to ensure the achievements of the Authority's objectives. This post will also provide a strategic overview of the Internal Audit Function, ensuring that its resources are focused where they are most needed.

2.4.2 To assist this new post holder, PwC will use risk management specialists (from both the public and private sectors) to offer advice and guidance on strategic risk management and also on managing key risks, whilst not limiting the opportunities for the Authority for improving service delivery. They will test the Authority's appetite for risk to ensure that opportunities are maximised whilst unnecessary or unmanageable risks are not taken.

3 NEXT STEPS

3.1 If the Committee wishes this work to proceed, more detailed discussions will be held with the relevant officers and clear terms of reference and timeframes will be drawn up and agreed for each of the studies. Reports on each of these items of work will be presented to the Governance & Audit Committee once completed.

3.2 These studies are additional to the External Audit Plan 2006/07 as approved by the Committee at its June meeting and separate budgets will be agreed with officers for each study.

4 RECOMMENDATION

4.1 Members are asked to decide whether each of the 4 potential reviews should be carried out by PwC.

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