

By: The Head of Audit & Risk

To: Governance and Audit Committee  
20 September 2006

Subject: **INTERNAL AUDIT REPORTING**

Accountable Officer: The Head of Audit & Risk

Classification: Unrestricted

File Ref: AMG/AC/200906

Summary: This reports on the outcomes of Internal Audit activity, providing assurance as to the operation of control within the Council.

#### FOR INFORMATION

#### Introduction

1. This report contains the outcome of Internal Audit's work completed from June to the end of August 2006. Assurances are provided in accordance with the definitions of Internal Audit assurance levels shown in Annex A.
2. The format of this report, which was agreed at a previous meeting, is as follows:

**Annex B** Agreed Audit Programme and Progress to date. Audits appearing for the first time are shown in bold. Twenty one audits were completed in this period, which are listed in the table below:

<b>Directorate</b>	<b>Audit Title</b>	<b>Assurance</b>
AW	Financial Delegations	Substantial
AW	Risk Management 05/06	Substantial
AW	Partnership Arrangements	Limited
AW	Local Public Service Agreements 2	Substantial
AW	Capital Management	Limited
AW	Remote Access, VPNs & thin Client	Substantial
CED	Accounts Closedown	Substantial
CED	Income Collection and Debt Recovery	Limited
CED	Enterpr1se	Limited
CED	Microsoft Exchange	Substantial
CED	Network Management	Substantial
CED	Commercial Services Debt Management	Substantial
CF&E	Use of IT Equipment in Educational Establishments	Limited
CF&E	Children's Centres	Minimal
CF&E	Recruitment Procedures in Schools Follow Up	Minimal

<b>Directorate</b>	<b>Audit Title</b>	<b>Assurance</b>
AS	Gypsy Units – Income Collection	Minimal
AS	Longfield TRACS	Substantial
AS	Thanet DOS Follow-Up	Substantial
AS	Direct Payments	Substantial
AS	Canterbury DOS	Substantial
E&R	Planning Applications	Substantial

**Annex C** Summary information, with the directorate response, for all followed-up audits where control was previously assessed as 'minimal'; for significant unplanned audit work or where Members have requested additional work.

**Annex D** Summary information with the relevant directorate's response for the following audits: -

- where assurance is assessed as 'minimal'
- where assurance for key systems is assessed as 'limited'.

**Annex E** Brief details of all other audit work completed in the period.

**Annex F** Summary of directorates' progress with the implementation of internal audit recommendations.

3. Members should note that the audit assurance expressed is at the time of issue of the audit report but before full implementation of the agreed management action plan. Directorates' progress with the implementation of recommendations is followed up and reported at Annex F, after the date by which it has been agreed that action will be undertaken. Where a 'minimal' assurance has been given, there will be further re-evaluation in a six-monthly review.
4. Furthermore, each audit does not carry equal weight when forming the overall assurance on the operation of control within the Authority. Whilst the key systems will have a major impact, other systems, for example establishment audits, become more significant when the outcomes of a number of similar audits have been obtained. In this instance, the key indicator is the trend in audit assurances within a directorate and across the Authority.

### **Irregularities**

5. Since the end of May, two cases of suspected irregularity have been reported, each involving either KCC finances or business processes. Details of completed irregularity investigations are given in my separate report, Agenda Item No 11.

## Performance of Internal Audit

6. At the Audit Committee meeting on 3 March 2004, Members agreed to receive regular reports on Internal Audit's performance against a range of indicators. For those measures where information is available, performance is shown below:

Performance Indicator	Target	Actual (Apr – Aug)
<p><b><u>Productivity and Efficiency</u></b></p> <ul style="list-style-type: none"> <li>• % of available time spent on direct audit work</li> <li>• % of audits delivered within budgeted days</li> <li>• % of draft reports completed within 15 days of finishing fieldwork</li> <li>• Preparation of annual plan</li> <li>• Periodic reports on progress</li> <li>• Preparation of annual report</li> </ul>	<p>75%</p> <p>89%</p> <p>89%</p> <p>By March G&amp;A Cttee meetings Prior to annual assurance statement</p>	<p>78%</p> <p>69%</p> <p>84%</p> <p>Reported 1.3.06 Reported: 30.06.06 Reported 30.06.06</p>
<p><b><u>Cost Effectiveness</u></b></p> <p><b>Delivery of service within budget:</b></p> <ul style="list-style-type: none"> <li>• % of budget spent</li> </ul>	<p>100% by year end</p>	<p>100% by year end</p>
<p><b><u>Quality of Service</u></b></p> <ul style="list-style-type: none"> <li>• Client satisfaction questionnaires responded to positively</li> </ul>	<p>93%</p>	<p>88%</p>
<p><b><u>Staff Management</u></b></p> <ul style="list-style-type: none"> <li>• Permanent staff in post</li> <li>• Staff with professional qualifications (including trainees)</li> </ul>	<p>75% of establishment</p> <p>60%</p>	<p>95%</p> <p>74%</p>

## Recommendation

7. Members are asked to **note** the outcome of Internal Audit's work.

**Andy Wood**  
**Head of Audit & Risk**  
 Ext: 4622  
 11 September 2006

## Definitions of Internal Audit Assurance Levels

Assurance Level	Summary description	Detailed definition
<b>High</b>	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.
<b>Substantial</b>	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.
<b>Limited</b>	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, <b>or</b> there is significant evidence that they are not applied consistently and effectively.</p>
<b>Minimal</b>	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, <b>or</b> there is evidence that there is significant non-compliance with key controls.</p>

**Audit Programme and Coverage By Directorate  
(February 2006 – August 2006)**

Report	Directorate	Audit Plan	Overall Opinion	Budget Mngment	Payroll	Payment	Income	Banking & Cash Handling	Accounting Systems & Processes	Resource Mngment	General Financial Control	Procuremnt	Governance	Business Process	Info System
	<b>Authority-wide</b>														
	<i>Brought forward from 2005/06 Plan</i>														
Jun 06	The Use of Mobile Telephones	✓	L							L					
Jun 06	Firewalls, Internet & e-mail Monitoring	✓	S												S
Jun 06	Corporate Governance	✓	H										H		
Sep 06	<b>Financial Delegations</b>	✓	S								S				
Sep 06	<b>Risk Management</b>	✓	S										S		
Sep 06	<b>Partnership Arrangements</b>	✓	L										L		
Sep 06	<b>Local Public Service Agreements 2</b>	✓	S											S	
Sep 06	<b>Capital Management</b>	✓	L	L										L	
	<i>2006/07 Plan</i>														
Sep 06	<b>Remote Access, VPNs &amp; Thin Client</b>	✓	S												S

KEY - AUDIT ASSURANCES:

H = High

S = Substantial

L = Limited

M = Minimal

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(February 2006 – August 2006)**

Report	Directorate	Audit Plan	Overall Opinion	Budget Mngmt	Payroll	Payment	Income	Banking & Cash Handling	Accounting Systems & Processes	Resource Mngmt	General Financial Control	Procuremnt	Governance	Business Process	Info System
	<b><u>Chief Executive's Department</u></b>														
	<i>Brought forward from 2005/06 Plan</i>														
June 06	Accounts Payable	✓	S			S									
June 06	Payroll 2005/06	✓	L		L										
June 06	Finance Business Solutions Programme Management	✓	S											S	
June 06	Technology Refresh Programme	✓	S												S
June 06	Delivery of the Schools' Capital Modernisation Programme	✓	L							L				L	
June 06	Purchase Cards	✓	S			S			S						
June 06	Commercial Services Web Shop	✓	L				L								L
<b>Sep 06</b>	<b>Income and Debt Recovery</b>	✓	L				L								
<b>Sep 06</b>	<b>Enterprise</b>	✓	L							L					
<b>Sep 06</b>	<b>Microsoft Exchange</b>	✓	S												S
<b>Sep 06</b>	<b>Network Management</b>	✓	S												S
<b>Sep 06</b>	<b>Commercial Services Debt Management</b>	✓	S				S								

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Sep 06	<i>2006/07 Plan</i> Accounts Closedown	✓	S						S						
	<b>Children, Families &amp; Education</b>														
June 06	<i>Brought forward from 2005/06 Plan</i> IMPULSE Admissions & Transport System	✓	L												L
June 06	Leaving Care	✓	S	S										S	
June 06	Recruitment & Retention	✓	S											S	
June 06	Procurement of Supplies and Services in Schools	✓	L									L			
June 06	Grouped Schools PFI project	✓	S									S			
June 06	Schools' Deficits and Compliance Team	✓	S								S				
Sep 06	Use of IT Equipment in Educational Establishments	✓	L												L
Sep 06	Children's Centres	✓	M								M				
	<i>2006/07 Plan</i> Recruitment Procedures in Schools follow up	✓	M											M	

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	<b>Adult Services</b>														
	<i>Brought forward from 2005/06 Plan</i>														
June 06	Payments to the P&V Sector	✓	H			H									
June 06	Supporting People – Contract Monitoring	✓	H									H			
June 06	Better Homes, Active Lives PFI	✓	S									S			
June 06	Finance Standards Team	✓	S								S				
<b>Sep 06</b>	<b>Direct Payments</b>	✓	<b>S</b>			<b>S</b>									
<b>Sep 06</b>	<b>Canterbury DOS</b>	✓	<b>S</b>								<b>S</b>				
	<i>2006/07 Plan</i>														
<b>Sep 06</b>	<b>Gypsy Unit – Income Collection</b>	✓	<b>M</b>				<b>M</b>								
<b>Sep 06</b>	<b>Longfield TRACS</b>	✓	<b>S</b>								<b>S</b>				
<b>Sep 06</b>	<b>Thanet DOS - Follow up</b>	✓	<b>S</b>								<b>S</b>				
	<b>Environment &amp; Regeneration</b>														
	<i>Brought forward from 2005/06 Plan</i>														
June 06	Landfill Tax Payments	✓	L			L									
<b>Sep 06</b>	<b>Planning Applications</b>	✓	<b>S</b>				<b>S</b>								

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(February 2006 – August 2006)**

Report	Directorate	Audit Plan	Overall Opinion	Budget Mngment	Payroll	Payment	Income	Banking & Cash Handling	Accounting Systems & Processes	Resource Mngment	General Financial Control	Procuremnt	Governance	Business Process	Info System
	<b>Communities Directorate</b>														
June 06	<i>Brought forward from 2005/06 Plan</i> Trading Standards – Finance Review	✓	S								S				

KEY -      AUDIT ASSURANCES:      H = High      S = Substantial      L= Limited      M = Minimal

## Matters Arising from Previous Reports

### Children, Families and Education

#### **Recruitment Procedures in Schools Follow-Up 06/07 Audit Assurance - Minimal**

In 2005, we carried out an audit to determine whether there were adequate procedures in place to safeguard children in schools (Report No12/06). The audit not only covered schools safe recruitment procedures, but additionally checked whether the Children's Safeguard Service (CSS) and the School's Personnel Service (SPS) were fulfilling the responsibilities of the Local Education Authority (LEA) to safeguard and promote the welfare of children under the provisions of the Children's Act 1989. We were able to give a high degree of assurance to these areas and therefore did not make any recommendations for CSS and SPS.

However, we were able to give only 'minimal' assurance to schools. This was of great concern to the Children, Families and Education Directorate (CF&E) and in response the following actions were taken:

- SPS continued to roll out the electronic CRB system (Atlantic Data System).
- Continued chasing by SPS of all outstanding CRB checks.
- SPS introduced a curriculum vitae checking service available to all schools for a fee.
- Awareness-raising at Headteacher briefings.
- Inclusion of the latest DfES guidance on safe recruitment (DfES publication 1568-2005, 4<sup>th</sup> July 2005) on Clusterweb, e-bulletin and Governor briefing notes.
- Promotion of the five module, on-line training package developed by the DfES in conjunction with the National College of School Leadership (NCSL), aimed at Headteachers and Governors.
- Peer review of a sample of staff at each school to ensure the correct recruitment procedures have been followed.
- In the longer term, the inclusion of recruitment procedure checks in all compliance visits to schools.

For this follow-up audit we visited a sample of 12 schools to evaluate the effectiveness of the actions taken. The schools visited were all using the new electronic CRB system which we understand should be rolled out to all Kent schools by December 2006. This enabled us to determine whether the electronic system has helped schools in the processing of CRB applications. At each school we checked recruitment documentation for a sample of staff appointed since September 2005 (a total of 145).

Discussion with Headteachers and administrative staff confirmed all were aware of the importance of following safe recruitment procedures. However, many admitted that the procedures can be time consuming and that pressure to fill posts in schools can result in cutting corners. Also, many Headteachers placed reliance on their ability to judge the characters of the people they interviewed. Whilst we would not discount this, we feel that these judgements must be supported by the standard recruitment checks.

In each school, we tested the recruitment procedures against the recommended 'DfES Safe Recruitment Guidelines, DfES publication 1568-2005). We found a marked improvement in the processing of CRB checks and we concluded that the online system has contributed to the improvement and confidence in the schools. However, we found that over 9% of staff were without evidence of a disclosure (14% of teachers). It should be noted that some of the schools had only recently started to use this application and the outstanding disclosures were predominantly from the old paper-based system.

## Matters Arising from Previous Reports

Other recruitment checks were still not being carried out. Most noticeably, qualifications and General Teaching Council (GTC) registration were rarely checked and, although two references were usually requested, they were often not received or pursued. Only two schools had received notification of an Occupational Health check for every new member of staff. We visited only one school where all the expected recruitment checks had been carried out for all new staff. Of the 145 cases tested, 58% had one or more of the expected checks missing.

None of the schools visited had completed the online NCSL training. One Headteacher had difficulty accessing the training; the others stated that they had not found the time to complete it. We have received confirmation, from a Headteacher who had undertaken the NCSL training but who was not included in our sample, that it is a worthwhile exercise. We concur with the Directorate that they should continue to raise awareness of this training.

The results of the peer review for CRB checks were disappointing for the Directorate. Only two thirds of schools responded and in many of those, the information was incomplete or was different from that of the Deficits and Compliance team who checked CRB processing as part of their visit. Also, the take-up of the curriculum vitae checking service provided by the SPS was very low.

All visited schools accepted the findings relevant to them, which were communicated verbally at the time of the audit and subsequently confirmed in writing.

We agreed two recommendations with SPS relating to CRB processing. During our audit we also found that acceptance letters sent to home tutors did not include standard paragraphs stating that their acceptance was subject to references, CRB disclosure and a health check. SPS and CF&E Personnel responded immediately and changed the letters.

### Directorate Response

*We know from press coverage recently that OFSTED have also been critical of schools nationally for the poor standard of record keeping on safe recruitment and schools in Kent are in the same position. However, the introduction of electronic checking and the decision taken by the Council to do CRB checks for all staff in schools appointed before the introduction of police/CRB checks, put Kent schools in a better position than other parts of the country. Nevertheless, it is clear that most schools do not have good enough record keeping to reassure parents that the required checks are taking place, and the Directorate will be communicating the results of the audit and the recommendations for safe recruitment practice during the autumn term. In the meantime the DfES have also required schools to make specific arrangements on this subject at the beginning of the autumn term.*

*Rob Semens  
Directorate Personnel Manager*

## Matters Arising from Previous Reports

### Adult Services

#### **Thanet DOS Follow – Up (13/07) Assurance – Substantial**

The Adult Services Provider Unit forms part of Specialist Services and is commissioned to provide day centre places for people with learning disabilities from 15 main day opportunity centres and a number of smaller localised satellite units around the County. The net budget for providing these day services in 2006/07 is approximately £8.1m.

The Thanet Day Opportunities Service (DOS) is a day provision for adults who have a wide range of learning disabilities. It offers a variety of developmental, occupational and therapeutic activities for up to 100 clients. Some of these activities generate income for the Unit.

An audit of Thanet DOS was undertaken in summer 2005 and resulted in 'minimal' assurance as to the standard of internal control. It is Internal Audit's policy to follow up all audits which are given a 'minimal' assurance and therefore this audit was included in the programme of work for internal Audit for 2006/07.

The objective of the financial administration framework for this establishment is to ensure that proper stewardship arrangements are in place to manage the financial resources and assets used in the provision of services.

The audit confirmed that the Unit Manager and her staff have worked hard to implement new procedures and action has been taken on the recommendations made as a result of our original audit. Controls within the Unit are much improved. In particular we found that:

- Orders are now recorded as commitments on Budget Pup as soon as they are raised.
- More than one person is involved in the ordering and purchasing of goods.
- Income received from the T Bar and meal sales is counted by two members of staff and recorded on a daily income record.
- Access to the imprest cash tin is restricted and the imprest cash book is checked to actual cash and signed by the Unit Manager regularly.
- Student award cash is now held securely.
- An asset register has been developed and most assets are security marked.
- Additional hours are authorised and checked by the Unit Manager.
- Stock records have been introduced for the kitchen and provision orders are now closely linked to menu plans.

However, we found that some procedures that have been put in place are not fully effective. In addition, during this audit we reviewed controls around three risks that were not fully tested in the original audit and we have identified some areas where improvements could be made. Our main concerns are that:

**Matters Arising from Previous Reports**

- Not all income is recorded on the daily income record and there is no independent check between the daily income record and the amount of cash banked. Consequently, cash could be lost or misappropriated.
- There are discrepancies between the salary payments made to staff per Oracle and the payments they are entitled to as per the New Kent Scheme Pay Scales. The Unit Manager believes this is due to staff buying and selling annual leave, however this is to be confirmed with Payroll.
- The Amenity fund has not been audited.
- No anti-virus software is installed on the Unit's computers, so data and software are vulnerable to loss or corruption through virus attack.
- Stock records being maintained in the T Bar are not sufficient to monitor stock movements or facilitate stock checking.

**Directorate's Response:**

*I wish to give my assurance to the committee that when financial risks have been identified to me that I have ensured that the service has implemented the necessary control efficiently and effectively. This can be seen in our improved level of assurance rating. I can assure you that our three limited control areas are now fully controlled. I can confirm that all the recommended action have been put in place. The only two outstanding areas that I have not been able to address are:-*

- *Need funds available to employ an auditor for the amenity fund;*
- *Working with senior management to identify realistic budget to reflect business needs.*

*I would like to thank the audit team for their guidance and support and their understanding in our business needs that enabled us to turn this audit around.*

*Rosie Stock – Unit Manager*

## Audits completed in the Period with Minimal Assurance or Key Systems with Limited Assurance

### Authority Wide

#### Partnership Arrangements (24/06) Assurance – Limited

For the purpose of this audit, we have defined a partnership as a contractual or less formal relationship between two or more parties aiming to achieve a joint objective. The aims are to obtain specific outcomes and best value through more joined up relationships, working more effectively with stakeholders by recognising common objectives, breaking down silo mentality to avoid duplication and taking advantage of economies of scales.

Internal Audit's risk assessment of the Authority's financial and operational processes identified that partnerships could expose the Council to significant financial and reputation risk. Furthermore, the Council's Statement on Internal Control for 2004/05 and the Audit Commission's latest guidance relating to the Comprehensive Performance Assessment for the 'Use of Resources' block, identified the need for significant partnerships to have governance arrangements in place which are subject to regular review and updating. Therefore, this audit was included within the 2005/06 Internal Audit Plan.

The objectives of partnership arrangements are to ensure that goals, accountabilities, risks and constraints are clear, legal and agreed by all partners for the duration of the relationship.

The initial task for this audit was undertaken in August 2005, to ascertain and classify the extent and scope of partnership arrangements that were in existence. This confirmed earlier reviews that the number of partnerships was unknown, and their types and scopes ranged from loosely set up talking shops to highly regulated statutory agreements. In a period of one week, we identified 150 partnerships, but we believe that this is only a fraction of partnerships existing within KCC.

Following the initial work we developed a risk-based methodology for identifying risk exposure from partnerships, which should enable significant partnerships to be identified. This methodology together with the Audit Commission's self-assessment questionnaire covering governance arrangements, extracted from their recent publication 'Governing Partnerships', was piloted with a sample of nine partnerships; chosen to cover a wide range of types and significance. The partnerships chosen for the audit are shown in the following table:

Partnership Title	Age (Yrs to 2005)	No of partners	Value (Total per annum)	Comments
Integrated Community Equipment Services	5	11	£3.4m (KCC contributes £1.79m)	S31
Gravesham Place	7	3	£25m whole life	PFI project. Value for capital build excluding staff costs.
Kent Partnership	5	36+	£nil	Local Strategic Partnership

### Audits completed in the Period with Minimal Assurance or Key Systems with Limited Assurance

Partnership Title	Age (Yrs to 2005)	No of partners	Value (Total per annum)	Comments
Tunbridge Wells District Children's Consortium	1	16	£76k (£928k over 3 yrs, including £700k revenue, £228k capital)	Children & Young Peoples Strategic Partnership.
KCC & Hampshire Scientific Services	9	2	Self funding (Income=£1.2m)	Contractual
Kent Biodiversity Partnership	9	25+	KCC contributes £50k p.a.	Environmental – central government initiative
Historic Fortifications Network	9	3 leads + others	£2.8m (£5.7m over 3.5 yrs)	Service Delivery supported by Interreg
Northgate Healthy Living Consortium		5	£100k	Service Delivery- supported by Lottery Fund
Locate in Kent Ltd	5	4+	£1.4m	Kent Prospect Strategy

The audit found that the Council does not have a central record of the partnerships that are in existence, recording information as to how significant they are and whether governance arrangements are sufficient to reduce risk exposure or ensure that objectives are achieved.

#### **Partnership Risk Assessment**

The Audit Commission's guidance relating to the 2005 Comprehensive Performance Assessment did not include a definition of significant partnerships. The risk exposure assessment methodology tested in this audit provided a clear and simple way of quickly identifying partnerships that would expose the authority to significant risks.

However, we appreciate that the sample used to test the methodology was small and that a bigger population would give a wider range of risk scores, with which to better categorise the results. To ensure that the risk exposure methodology is robust and acceptable to all users, there is a need to extend the pilot to a wider range and number of partnerships.

#### **Governance Toolkit**

In general, the more significant partnerships in the sample, as assessed by our risk exposure methodology, answered the greater number of governance questions positively. Overall, there was 75% compliance. However we cannot comment on how effectively the controls have been applied.

Areas for improvement included the need for documented Codes of Conduct and conflict resolution guidance. There were assumptions that the partners' own organisational procedures would be followed, but it may not be clear which partner should be responsible in the event of conflicts or complaints.

The partnerships did not all demonstrate that risks had been fully identified and were being managed. However we noted that some did identify threats to the achievement of set goals or produced SWOT analyses in monitoring their performance.

**Audits completed in the Period with Minimal Assurance or Key Systems with Limited Assurance**

Partnership working can be an economical and effective way of delivering good services. However there was little evidence of evaluations completed to demonstrate that partnerships were succeeding in delivering their goals in a cost effective way. Neither has it been clear how effectively KCC manages the relationships with partners. With partnership working used to meet nearly every eventuality and increasing pressure to share resources there is a need for more strategic thinking about the structures and mechanisms by which KCC can mobilise the community, facilitate joint working, improve services and, at the same time, protect the public purse.

It has been agreed that directorates will use the risk exposure methodology to identify all partnerships of medium risk and above. The Audit Commission's toolkit will be used to review significant arrangements with a view to achieving standards of control that are commensurate with the level of risk to which the Council is exposed from the partnership. However, it should be noted that although agreements with the Health Service governed by the Health Act 1999 (s31) may be properly drawn up, where default exists in the current difficult financial circumstances, the Chief Officers' Group may wish to consider whether to pursue legal action. This would be a very difficult step to take in view of political implications, and when it is necessary to continue to work in partnership.

The findings of this audit have been shared with a representative from the Audit Commission, who is continuing to develop the self-assessment questionnaire, taking account of our findings. We have commented that guidance to help in the selection of controls commensurate with partnership significance would be welcomed, and we will continue to liaise with him to ensure that the most useful product is evolved.

Directorate Response:

*This cross-cutting audit was necessarily based on a relatively small sample but nevertheless gives a helpful insight into the complex environment of governance and partnerships in the County. The Resource Managers from each Directorate will collectively consider the most appropriate way to address the recommendations, bearing in mind the wide range of partnership arrangements that are in place, and will carry out further testing of the proposed risk exposure assessment methodology.*

*The Resource Managers are aware of evolving national interest in the area of governance and partnerships, notably at the Audit Commission, and will welcome further briefings on this from Internal Audit in due course.*

*Judy Edwards  
Director Policy and Resources, Communities Directorate*



**Audits completed in the Period with Minimal Assurance or Key Systems with Limited Assurance**

**Authority Wide**

**Review of Capital Management (66/06)  
Assurance – Limited**

Kent County Council's 2005/06 capital budget totalled £356.4m, with new projects starting in the year of £204m. The bulk of the capital budget related to the Authority's property portfolio including schools (57%) and other land and buildings (14%). The other major expenditure was on roads (22%) and on smaller items (7%) including furniture, equipment and vehicles.

This audit was based on a review of three significant design/build type projects from the Authority's Capital Programme. They were:

- The Turner Contemporary Centre (Mark 1)
- Grove Park
- Broadmeadow

The Authority has a comprehensive planning process, producing the capital programme that will meet its strategic priorities. The level of borrowing is directed by the Prudential Code; any funding required in excess of government grants and supported borrowing being provided from available internal or other external sources.

Monitoring of capital projects was identified as a high risk area in the Internal Audit overall risk assessment of the authority's financial and operational systems. It was also recognised by the external auditor, PricewaterhouseCoopers (PwC), as an area requiring attention, and by the Finance function as a high priority risk requiring management action. Accordingly, it was included in the 2005/06 Audit Plan and in order to avoid duplication of work, PwC worked alongside KCC Internal Audit to complete this audit.

The objectives of capital management are to ensure that the Authority's capital projects are properly directed, costed and managed, and that capital expenditure is properly recorded and reviewed to provide estimates of outturn which can be relied upon to identify potential problems in time for corrective action to be taken.

The focus of the review was on the risks associated with the project management arrangements of three major design and build projects. Nevertheless, we were able to draw conclusions that could potentially be applied across other capital projects. We reviewed the complete project management process from project planning and appraisal to completion, including monitoring procedures within Corporate Accounting Services and directorates.

PwC provided a project management specialist, who undertook an overview of the Authority's capital appraisal and planning process but excluded a detailed review of the Authority's capital programme and portfolio management as well as project management by external suppliers. It should be noted that this was not a review of project performance, but rather a review of the adequacy of existing project management controls.

## **Audits completed in the Period with Minimal Assurance or Key Systems with Limited Assurance**

The current capital process has been in place since 2004 with the introduction of the Prudential Code, and we were informed that new capital procedures are being updated and are being implemented. It is noted that two out of the three projects reviewed did not follow the current capital procedures as they commenced prior to 2004.

The audit confirmed that the majority of controls were operating effectively. In particular, the introduction of the 'approval to plan' and 'approval to spend' processes has provided a means for obtaining assurance that all projects are aligned to the Council's strategic objectives as well as being properly specified, costed and planned before commencement.

The KCC Property Services Group (PSG), that manages a significant number of the Authority's capital projects, is in the process of developing a Practice Manual for project managers as well as bespoke project monitoring software. The Design & Development team that project manages schools' projects also undertake internal testing of compliance with their procedures. The Practice Manual will be incorporated into the overall capital procedures at a later date.

There are also clear capital budget checking and monitoring procedures in place, at directorate and Corporate Finance levels. Cabinet receives exception reports highlighting major variances within portfolio budgets.

However, these controls could be further improved by addressing the following risks:

- The reliability of outturn estimates may be reduced, such that budgets and timescales may be overspent and project success may be at risk, if projects are not accurately specified before approval and monitored to completion,
- Performance may deteriorate after commencement and the organisation may not be aware well in advance, when project success is at risk, if projects are not strictly monitored throughout their life-cycle
- The Authority's objectives may not be achieved as planned, if programme and portfolio management, including monitoring of risks and interdependencies, is not maintained across all of the Council's projects.
- The management of capital projects may be inefficient and examples of good practice may not be embedded in the culture of the council, without a consistent approach to individual project management

### Directorate Response:

*One of the projects reviewed, Turner Contemporary, was always assessed as having high risk, given its construction difficulties and cutting edge design. This scheme was a one-off, and not representative of the whole programme.*

*The current process for approving capital spending ensures that all major projects are scrutinized to ensure they meet the Council's strategic objectives, that they meet service objectives and that a detailed business case has been prepared before the scheme can proceed to spend.*

**Audits completed in the Period with Minimal Assurance or Key Systems with Limited Assurance**

*For less major projects, processes are in place to ensure that correct approvals have been obtained from relevant Cabinet Members before schemes can proceed.*

*The capital procedures and processes have been recently updated and significantly streamlined to make them easy to use. They are all available on KNET. Staff who are involved in capital from directorates, including Property, have had one to one training on the capital process and procedures.*

*We are also introducing a programme of Post Project Reviews, to ensure that a sample of projects are subject to a detailed scrutiny to ensure that they have delivered the Council's objectives on time and to budget, and that the expected outcomes have been achieved.*

*In addition to the above, the process for managing and monitoring capital expenditure has improved significantly over the last two to three years and we are constantly looking at ways to improve it further.*

*Elaine Goodrick  
Head of Financial Strategy*

## Audits completed in the Period with Minimal Assurance or Key Systems with Limited Assurance

### Chief Executive's Department

#### Income and Debt Management (53/06) Audit Assurance - Limited

Oracle Accounts Receivable (Oracle AR) is an integrated part of the Authority's accounting system. It facilitates the set-up of customers, production of invoices, processing of receipts from customers and reporting of management information. In 2004/05, 31,690 invoices, with a total value of £101.8m, were created. The outstanding debt as at November 2005 totaled £25.1m.

Income collection is identified as a high risk area in our overall risk assessment of the authority's financial and operational systems, requiring annual review. The Oracle AR system was audited in each of the last two years and the audit opinion was "satisfactory" in both. This audit additionally reviewed procedures for the recovery of outstanding debts.

The objectives of the income and debt recovery system are to ensure that invoices for income due to the Authority are raised accurately and promptly, that income due is received, banked and recorded against appropriate accounts and that appropriate recovery action is taken in the absence of payment.

Based on the findings of the audit, we can provide **substantial** assurance as to the control of income collection, but only **limited** assurance as to the management of risks that could prevent the effective management of debts.

The Exchequer Manager is working towards improving processes with directorates, requiring directorate managers to sign up to a strategy for clearing debts. However, the key areas for improvement relate to the following:

- The targets and requirements set out in the Debt Management Policy relating to raising of invoices within 20 days of delivering goods or services, initial contact with debtors to follow-up outstanding debts and the automatic write back of low value debts, were not fully complied with. Delays in both the issue of invoices and in contacting outstanding debtors will delay receipt of income, whereas not pursuing the policy of automatic write back may be building up a backlog of doubtful debt.
- 25% of our sample of 20 outstanding debts was being investigated by directorates and 30% were being followed-up by Exchequer. We commend the Exchequer Services Manager for action taken to agree protocols with each directorate to manage the recovery of referred debts. However, with 50% of the sample of debts for which Exchequer was responsible still outstanding up to 8 months after the initial contact, we are concerned that Exchequer's action to recover them did not appear to be effective.
- 35% of 20 sampled invoice request forms (AR01s) were processed in excess of 3 days, leading to a risk that income due to the authority is being delayed unduly.

**Audits completed in the Period with Minimal Assurance or Key Systems with Limited Assurance**

Directorate Response:

*This report is a helpful one in ensuring that we have robust and efficient processes for raising debts and recovering income. It should be noted that Internal Audit's conclusions are based on a sample of 20 out of 32,000 invoices raised at a time when both members of staff responsible were absent.*

*Internal audit raised five views where Control Assurance was Limited and we have the following comments on these:-*

*Debt Management Policy Service Delivery – budget managers will be reminded of the need to issue invoices within 14 days but we cannot control them directly.*

*AR invoices processed within 3 day – we are flexible in the use of staff resource but at certain times we will not be able to resource this internally set target.*

*Debt Management Policy Timelines and Frequency – we will ensure that the timescales for chasing debts complies with the policy.*

*Effectiveness of Debt Recovery Process Contact Log – we will continue to do all we can to get information from budget managers who have raised debt but this is very resource intensive and we cannot compel compliance.*

*Debt Management Write backs – the write back process will be reviewed.*

*We would like to reassure Members that this is an area of high priority for us and we believe we are performing to a highly satisfactory level.*

**Audits completed in the Period with Minimal Assurance or Key Systems with Limited Assurance**

**Chief Executive's Department**

**Enterpr1se Property Database (31/06)  
Audit Assurance - Limited**

Kent County Council's portfolio of over 1,800 establishments is a key resource of the Authority, with an approximate asset value of £1.3 billion, incurring running costs of £72 million per annum. The estate is a mixture of properties directly controlled by the Authority, those controlled by the Diocesan Authorities, self-governing Foundation schools and other premises provided under Public Finance Initiative (PFI) arrangements. The effective management and use of the resource is important to the realisation of the Council's vision to improve services for the people of Kent. In particular KCC's Property Strategy aims to add value to the Authority's service delivery through effective management of property and related professional activity.

The Enterpr1se property database holds property management information which includes: Core data on KCC land and property, County Terrier, Asset Register, Disposal Monitor, Asbestos and DDA Audit modules as well as information on the schools' condition surveys, sufficiency and suitability information. Interpr1se, the web-enabled version of Enterpr1se, is available to schools as part of the Asset Management Plan (AMP) responsibilities.

KCC owns all the data, as well as the software licenses and servers that store and process the data. Mouchelparkman, as partners, maintain and update some of the data, accessing the system by a data-communication link via a firewall.

The Council's business objective for the Enterpr1se database is to ensure that KCC has an effective property solution by raising awareness of property and by providing clear, accurate, comprehensive up-to-date and reliable information for management.

Enterpr1se allows a wide range of users to view and maintain core property records and as such is a significant improvement on the previous recording system. During our audit we identified some issues that relate to the omission of performance indicators in the original contract agreed with Mouchelparkman, a delay in agreeing service level agreements and the lack of ICT recovery plans which has already been reported to this Committee as part of the 'ICT Disaster Recovery Plans' report (report 39/06). Enterpr1se is included in Property Group's response to the corporate business continuity questionnaire, which also covers disaster recovery.

Due to competing pressures in Property Group the details of the core data and insurance valuations are not updated on Enterpr1se on a regular basis. This could impact adversely on the value of management information and any insurance claim payable. However, to ensure data is up to date would require an increased investment in resources.

We have made recommendations to address the risks associated with these issues.

**Audits completed in the Period with Minimal Assurance or Key Systems with  
Limited Assurance**

Directorate Response:

*No response received as at 11 September 2006*

**Audits completed in the Period with Minimal Assurance or Key Systems with Limited Assurance**

**Children, Families and Education Directorate**

**Children's Centres Financial Control (47/06)**

**Audit Assurance – Minimal**

In line with Government targets, KCC is developing a network of Children's Centres which aim to provide integrated childcare, early education, health and family support services. By April 2008 there are expected to be 72 Centres in Kent including nine which were originally created under an earlier government programme, Sure Start.

During 2005/2006 the nine Sure Start Centres continued to receive their grant funding as before, but in addition a Children's Centre budget of approximately £1.8 million was delegated to the Early Years & Childcare Service (EY&CS) for the setting up of services in new Centres and, sometimes, to add to services in the existing Sure Start Centres so that they could meet the "Core Offer" - the range of services specified by Government for Children's Centres.

This audit looked at financial control over the Children's Centre budget only.

We noted that accounting controls were sound, ensuring that income and expenditure had been correctly recorded and was identifiable to each Children's Centre. However a new system for generating payments to providers was being set up, and whilst acknowledging that it is still under development, we have taken this opportunity to recommend controls that should be built in at the start.

With regard to distribution of funding, in theory the policy of allocating monies according to bids should have worked well. In practice though, it has led to a great many individual letters of agreement - many with the same providers but for different Centres - and consequently a considerable amount of paperwork and a complicated payment administration system. The latter will be simplified by the change referred to above.

Despite the agreement letters, many 2005/2006 services were not clearly specified. Recognising this weakness, the Children's Centre Project Manager has begun a review aiming to clarify and harmonise services, and bring them together under Service Level Agreements where practicable. We endorse this approach but it is a considerable undertaking and will take some time to complete at the current rate. Meanwhile the weakness remains, as payments are to be continued into 2006/07 based on actual expenditure in 2005/2006 without further bidding or specification.

Payments are monitored and adjusted by reference to claims - returns showing actual costs - made by providers. We are concerned that the system contains no check that services have been satisfactorily delivered, nor is there a clear policy on how much documentation should be produced by providers to evidence the validity of their figures. Visits to Centres showed that managers could normally confirm services via activity records or less formal means, but they could not necessarily say when particular services had started or whether they had operated in accordance with funding agreements. We have made recommendations to address these issues.



**Audits completed in the Period with Minimal Assurance or Key Systems with Limited Assurance**

As a result of these findings we cannot give assurance that payment has only been made for services actually delivered. There is a further risk that KCC may be obliged to honour funding for services which, had these been reviewed in advance of 2006/07 payments, may not have been approved for continuation.

Directorate Response:

*We are in agreement that the audit findings are accurate and the recommendations justified and fair. Plans are already underway to address the issues raised and we do not anticipate any constraints on implementation.*

*Alex Gamby  
Head of Early Years/Childcare*

**Audits completed in the Period with Minimal Assurance or Key Systems with Limited Assurance**

**Adult Services Directorate**

**Gypsy Unit – Cash Collection (02/07)  
Audit Assurance – Minimal**

The Gypsy unit is a small team within Kent County Council's Adult Services Directorate which provides a range of services related to the gypsy and traveller communities resident or passing through Kent. The service comprises two main areas, site management and unauthorised encampments. The unit manages eight local authority caravan sites for gypsies and travellers using powers in the Caravan Sites and Control of Development Act 1960. Seven out of the eight sites are owned by the County Council, while one is owned by Tonbridge & Malling Borough Council. The unit also manages unauthorised encampments on KCC land, ensuring swift, effective and appropriate responses on those encampments and liaising with anyone on or affected by them, using common law powers and other legislation including the Criminal Justice and Public Order Act 1994.

The unit employs 5 site managers, who are based in the unit's office, and manage the 8 gypsy sites. They are also responsible for the collection of income relating to the sites. While most of the rental income is received in cheques from the Housing Benefit Authority, nearly one third of the previous year's total income of £310,000 was collected in cash. This includes rental income as well as proceeds from sales of £5 electricity cards to the gypsies and travellers. At the end of a site visit, site managers bring back and account for the cash collected, retaining unsold electricity cards for sale at a future date.

Site wardens who are usually members of the gypsy or traveller community are used by the unit to help run the sites. Currently they have 5 site wardens in total. The site wardens are paid £10 a week in electricity cards.

The business objective of the process is to ensure that cash collections for rent and electricity are properly accounted for, held securely, and paid into the bank accurately and intact, and that electricity cards are held securely and properly controlled and accounted for.

The audit confirmed that cash collections generally reconciled with the value of receipts issued by Site Managers and were sent for banking accurately and intact. Cash is mostly sent to Exchequer Services within 7 to 10 days and rent ledgers are updated accurately for the rent collected. However, we have found the following areas for improvement relating to the security of the cash which could result in its loss or misappropriation:

- There have been occasions when Site Managers have taken cash collected on site home with them. In addition to the potential for loss or misappropriation, these managers are vulnerable to attack, should it become known that they carry large amounts of cash.
- Site Managers sometimes mix their personal cash with cash collected from sites.

**Audits completed in the Period with Minimal Assurance or Key Systems with Limited Assurance**

- The key to the safe in the unit office, where all the cash collections are deposited is not held securely as it is kept in an open drawer, albeit in a box which is also usually open.
- There is no record of the amount of money deposited in the safe by any person. As a result, any envelope deposited by a site manager could be removed by another person. Also, managers could claim to have deposited money in the safe without actually having done so. Envelopes containing the cash deposited in the safe could be tampered with and it would be difficult to identify the culprit.

Our review also found that improvements are required relating to the security and accounting for electricity cards, arising from the following:

- Electricity cards are kept in an unlocked cupboard and are therefore open to risk of theft.
- The unit does not maintain stock records of electricity cards, and it is not possible to carry out a reconciliation of physical stock against book stock, increasing a risk of loss through error or theft.
- Although there is a log of the number of cards issued to Site Managers, there is no reconciliation of income from sales of electricity cards to the record of cards issued to site managers and therefore there is inadequate assurance that all income from sales of electricity cards has been accounted for.

The Operations Manager was already aware of most of the weaknesses identified by the audit and had planned to implement the following measures to address the weaknesses:

- Restricting the access of the safe keys to one or two members of staff
- Introduction of serially numbered, tamper proof plastic envelopes to deposit cash in the safe by site managers
- Introduction of stock records for electricity cards
- Storing electricity cards in a safe place.

Directorate Response:

*The audit has accurately highlighted areas of improvement, many of which were already identified by the new Operations Manager before the audit. Since the audit, all recommendations arising from the audit report have already been implemented.*

*Caroline Highwood – Director of Resources Adult Services*

**Other Audit Work Completed in the Period, not reported Elsewhere  
June 2006 – August 2006**

**Completed audits**

<b>Directorate</b>	<b>Audit</b>	<b>Description</b>	<b>Audit Assurance</b>
Authority Wide	Financial Delegations	A review of the Scheme of Financial Delegations which supports the Authority's Financial Control framework.	Substantial
	Risk Management	A review of the risk management process to determine if controls and actions stated in directorates' risk registers had been implemented effectively.	Substantial
	Local Public Service Agreements 2	A review of LPSA 2 to ensure data is accurately collected, recorded and reported.	Substantial
	Remote Access, VPNs & Thin Client	A review to ensure that remote connections and access to KCC including both VPN and dial up facilities are secure and reliable.	Substantial
Chief Executives Dept	Accounts Closedown	An audit to ensure that all expenditure is accounted for in the Authority's final accounts under the correct financial year.	Substantial
	Microsoft Exchange	A review of Microsoft Exchange to ensure the integrity and security of data.	Substantial
	Commercial Services: Debt Management	A review of the debt management process to ensure that billed income owed to Commercial Services is collected promptly and properly recorded in the underlying accounting system.	Substantial
	Network Management	A review to provide assurance that connections and access to the networks of KCC and Commercial Services are approved, secure, that there are adequate controls over data and that suitable maintenance arrangements are in place	Substantial
Children, Families & Education/Communities	Use of IT Equipment in Educational Establishments	A review of the effectiveness of control over the use of ICT in remote/satellite educational establishments.	Limited
Adult Services	Longfield TRACS	A review of general financial controls.	Substantial
	Direct Payments	A review of the direct payment to clients scheme to determine how risks associated with the scheme are being managed.	Substantial
	Canterbury DOS	A review of financial control.	Substantial
Environment & Regeneration	Planning Applications	A review of how the Planning Application System is used and whether more effective use could be made of it.	Substantial

**Advisory and other work**

<b>Directorate</b>	<b>Audit work</b>	<b>Description</b>
Chief Executive's Department	FBS e-Procurement	Advice and information provided to support the e-procurement workstream of the Finance Business Solutions programme.
	Going Local Agenda	Identification and assessment of financial, political and reputation risks relevant to the development of the Going Local agenda.
Adult Services	Client Billing Contingency	Advice and information provided regarding contingency arrangements for billing clients during the implementation of Systems Renewal Project.
Children, Families and Education	Purchase Cards	Advice provided as part of the Finance Business Solutions programme

**Directorates' Progress with Implementation of Internal Audit Recommendations  
May to July 2006**

Directorate	Total actions due to be in place by end of July 2006	Actions in place	Outstanding actions (priority)			Comments on outstanding actions	
			VH	H	M	Audit	
Authority wide	25	12		1		Data Protection	A further series of information audits will be set up to ensure that information which is being transferred between directorates is on the retention schedule and has been identified as containing personal information. This has started in CFE and Communities directorates, due to be completed by April 2007.
				1	1	Freedom of Information	<ol style="list-style-type: none"> <li>1. A new database has now been completed and will be used for the logging, tracking and monitoring of all FOIA &amp; EIR requests received from 1/1/06 onwards and should be operational by end of Sept 2006,</li> <li>2. Further resource constraints have meant that the evaluation of a training programme has not yet been undertaken, but this should be completed by September 2006.</li> </ol>
			1			Disaster Recovery Plans	<ol style="list-style-type: none"> <li>1. Progress has been made to different extents with the development of Business Impact Analyses for Chief Executive's, Adult Services, Children, Families &amp; Education and Environment &amp; Regeneration directorates, to establish prioritised Business Continuity and Disaster Recovery Plans, and identify associated resource needs. Most directorates anticipate that actions will be completed by December 2006.</li> <li>2. The Chief Executive and COG have agreed 6 steps to produce and test an authority-wide Business Continuity Plan. The first two steps should be completed by the end of September 2006. Further action will depend on decisions to be made in the third step, but implementation should be completed by December 2006.</li> </ol>
				2	1	Payroll 2005	<ol style="list-style-type: none"> <li>1. Youth &amp; Communities Personnel await the development, due by December 2006, of error reporting for an internal system which will facilitate checking of details for new starters, amendments and leavers.</li> <li>2. A checking system is being set up for implementation by October 2006 in Commercial Services, requiring new employees to confirm that details held on Oracle are accurate.</li> </ol>

**Directorates' Progress with Implementation of Internal Audit Recommendations  
May to July 2006**

Directorate	Total actions due to be in place by end of July 2006	Actions in place	Outstanding actions (priority)			Comments on outstanding actions	
			VH	H	M	Audit	
Authority wide (cont.d)				1		Mobile Phones	<ol style="list-style-type: none"> <li>Discussions are taking place, due for completion by Sept 06, with a view to adding the issue of top up vouchers to the Mobile Phone Order Form. In that way Moco can provide annually the value of vouchers purchased.</li> <li>A review of billing is being undertaken, now due to be completed by Sept 2006, to identify phones with high charges, following which Commercial Services will notify relevant Finance Managers for authorisation to retain their premium rate type calls facility.</li> </ol>
					1		
Authority wide (cont.d)				2		Purchase cards	<ol style="list-style-type: none"> <li>The purchase card software is now 'LIVE' , however Technology Refresh Programme implementation rendered it inaccessible almost immediately. A training programme is in place and there are system procedures to cover various roles. The manual covering non-system procedures should be completed by October 06.</li> <li>An email receipt is requested for the cards issued centrally. However a number of cards are issued to one contact within a Directorate who then reissue to specific cardholders. Exchequer Service Manager will write to these contacts and ask that they obtain email receipts from individual holders and pass copies to the Exchequer Control Section, by Oct 06.</li> </ol>
					1		
Chief Executive's Department	13	6		1		Project Management Offices (PMOs)	As a result of the move of the ISG PMO to the ISG Projects & Integration Team the processes and procedures have been amended, but should be completed by the end of Oct 06.
				1		Delivery of the Schools' Capital Modernisation Programme	The property team is continuing to chase outstanding final accounts with MouchelParkman, within the constraints of the legal process, and has placed formal consequences on those not constrained by legal issues. Internal Audit will continue to monitor progress.
				1		Microsoft Exchange	The campaign to promote security throughout the organisation is being promoted on the basis of highest risks, but is ongoing until May 2007.

**Directorates' Progress with Implementation of Internal Audit Recommendations  
May to July 2006**

Directorate	Total actions due to be in place by end of July 2006	Actions in place	Outstanding actions (priority)			Comments on outstanding actions			
			VH	H	M	Audit			
<b>Chief Executive's Department (cont'd)</b>				1		1	Transport Engineering Income	1. Commercial Services IT have been instructed to change the SYS & ADM passwords and have been asked to list all Trace users with their access/module rights. Once this has been produced, new access levels will be set if necessary, by Sept 06. 2. An updated customer file report has been written and passed to finance for correct VAT coding. Duplicate accounts will be identified and Trace will be contacted to help with their disabling, by Sept 06.	
			2				Web Shop	Progress has been made with the implementation of secure access controls for users and administrative functions of the Web Shop in accordance with BS7799/ISO17799, which will be released for user acceptance testing by September 2006.	
<b>Children, Families &amp; Education</b>	18	12		1	2	1	Leaving Care	1. A review of financial procedures, including financial limits for different types of expenditure, has begun and should be completed by September 2006. 2. Exact cash limits have not been fully set for the budget as work is still being undertaken on staff costs due to re-organisation. Expected implementation is September 2006.	
				1			1	Recruitment & Retention	1. Amendments to KNet guidance needs to be agreed by all directorates, not just CFE, although the CFE Personnel manager will raise this corporately by October 2006. 2. Data has been received from Oracle to enable analysis of absence trends. Managers will be briefed by the end of November 2006.
				1				Use of IT equipment in establishments	The cost of implementing a restriction of the Branch accounts to only public facing terminals would be £4,500. A decision on whether to implement this change will be made on consideration of the risk, by October 2006.
<b>Adult Services</b>	47	45		1		1	Canterbury DOS	The Unit Manager and other relevant staff have not yet received appropriate finance training, although they are awaiting confirmation of dates for courses applied for by December 2006.	
			1				Thanet DOS	A recommendation to ensure that decisions made at Amenity Fund Committee meetings are minuted and that the Fund is audited annually should be implemented by April 07.	

**Directorates' Progress with Implementation of Internal Audit Recommendations  
May to July 2006**

Directorate	Total actions due to be in place by end of July 2006	Actions in place	Outstanding actions (priority)			Comments on outstanding actions	
			VH	H	M	Audit	
<b>Environment and Regeneration</b>	5	4			1	ODPM Funded Delivery Boards	Kent Thameside Delivery Board provides opportunities for public and private sector stakeholders to discuss and resolve important issues collectively. A conventional process whereby members are asked to step down from discussions in which they have an interest would decrease the Board's effectiveness. Therefore alternative action to manage this risk, will be investigated and developed.
<b>Communities</b>	7	4	1			Election system	ISG will obtain Business Units' sign off that data validation is not a business requirement by September 2006.
				1		Trading Standards	<ol style="list-style-type: none"> <li>1. Reminders of procurement procedures have been sent and acknowledged by those staff concerned. However training will not be completed by the Finance Section until April 2007.</li> <li>2. Completion of a list of authorised signatories, identifying has been partially completed and signed but delayed due to the annual leave period, but should be completed by September 2006.</li> </ol>
<b>TOTAL</b>	115	83	6	19	7		