

Appendix 1



Kent County Council

Internal Audit Annual Report 2011/12

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I. Introduction

Purpose of this report

Internal Audit is an assurance function that provides an independent and objective opinion on the adequacy of the Council's control environment.

The CIPFA Code of Practice for Internal Audit in Local Government in the UK requires the Head of Internal Audit to provide an annual written report to those charged with governance (i.e. the Audit Committee) presenting an opinion on internal controls, risk management processes and governance arrangements.

This report summarises the work that the Council's Internal Audit and anti-fraud service has undertaken during 2011/12. It also highlights the key issues with respect to internal control, risk and governance arising from that work and presents my opinion based on the work performed during the year.

The report builds on the matters reported to the Governance & Audit Committee throughout the year.

Overview of work done

The original Internal Audit Plan for 2011/12 included a total of 46 projects. We have communicated closely with senior management throughout the year, to ensure that the projects actually undertaken continue to represent the best use of our resources in the light of new and ongoing developments in the Council.

As a result of this liaison, changes have been agreed to the Plan during the year. A number of projects have been deleted from the Plan as a result of changing priorities or if other assurances are

available to the Council. Details of the changes to the Audit Plan have been reported to the Governance and Audit Committee throughout the year. The total number of projects undertaken in 2011/12 was 53, excluding advisory work undertaken. At the time of preparing this report most substantive work had been completed and the reporting position was as follows:

- 40 – final report/assurance work completed
- 13 – draft reports issued or in the process of being finalised

Internal Audit also undertook 28 investigations relating to potential fraud by staff or third parties, none of which were significant to the control and risk framework for Kent County Council ("KCC").

Objectives

The majority of reviews internal audit undertake are designed to provide assurance to management on the operation of the Council's internal control environment. At the end of an audit we provide recommendations and agree actions with management that will, if implemented, further enhance the environment of the controls in practice.

Other work undertaken includes the provision of specific advice and support to management to enhance the efficiency, effectiveness and economy of the services and functions for which they are responsible. Our internal audit plan is informed by the investigations and fraud risk management work carried out under the anti-fraud element of the plan as well as the risk management framework of the Council.

II. Scope, Responsibilities and Assurance

Scope

In accordance with the CIPFA Code of Audit Practice, the scope of internal audit encompasses all of the Council's operations, resources and services including where they are provided by other organisations on their behalf.

For 2011/2012 the dynamic external environment of the public sector and the internal responses to these changes meant that the plan was based on ensuring that the foundations of sound internal control were in place throughout the period of change.

However the plan did include contingency time allocated to emerging issues identified based on a variety of key factors including:

- Evaluation of the Council's risks using the corporate risk register.
- Review of existing key data, for example:
 - The Council's overall strategy
 - Budgetary information
 - Departmental business and performance plans
 - Audit Commission's requirements.
- Interviews with senior management across the Council.

Responsibilities of management and of internal auditors

It is management's responsibility to maintain systems of risk management, internal control and governance. Internal Audit is an element of the internal control framework established by management to examine, evaluate and report on accounting and other controls over operations. Internal Audit assists management in the effective discharge of its responsibilities and functions by providing assurance on the controls in place. Internal Auditors cannot be held responsible for internal control failures.

Whilst we have planned our work so that we have a reasonable expectation of detecting significant control weakness that could result in fraud or error, Internal Audit procedures alone do not guarantee that fraud will be detected; this should be a function of the controls put in place by management. Accordingly, our examinations as Internal Auditors should not be relied upon solely to disclose fraud, misappropriation or other irregularities, which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

Internal Audit's role includes assessing the adequacy of the internal control environment put in place by management and performing testing on a sample of transactions to ensure those controls were operating for the period under review. We have met with each of the Corporate Directors and their team, seeking specific feedback on the adequacy of the Internal Audit service and identifying future directorate risk areas arising through their service planning process.

Limitations to the scope of our work

There have been no limitations to the scope of our work.

Limitations on the assurance that Internal Audit can provide

It should be noted that the assurance expressed within this report can never be absolute i.e. we cannot guarantee that all aspects of control are adequate. Internal Audit provides “reasonable assurance” to the Section 151 Officer and the Governance & Audit Committee, based on the work performed.

Assurance (Opinion)

The Head of Internal Audit is required to provide an opinion on the overall adequacy and effectiveness of the Council’s:

- Corporate Governance
- Risk Management
- Internal Control.

This is collectively referred to as “the system of internal control”.

Basis of our assessment

The opinion on the adequacy of the system of internal control is based upon the result of Internal Audit reviews undertaken and completed during the period in accordance with the plan approved by the Governance and Audit Committee. We have obtained sufficient, reliable and relevant evidence to support the recommendations that we have made.

Opinion

Based on the work that internal audit has performed, and taking into account the individual strengths and weaknesses identified, **substantial** assurance can be provided on the adequacy of the system of internal control and governance at KCC. Audit testing has confirmed that the majority of key controls are working in practice, with some specific exceptions. Where improvements to control or compliance are required, we are satisfied that appropriate action has been taken by the relevant managers.

However only **limited** assurance can be provided on the system of risk management processes within KCC over 2011-2012. This is largely due to the organisation’s changing structure which has led to the temporary lapse in formalised risk management processes within directorates. This has been acknowledged and we are satisfied that a newly appointed lead officer has agreed the issues and has started work to implement the actions.

Key issues and implications for the Annual Governance Statement

In making its Annual Governance Statement, the Council should consider the Head of Internal Audit’s opinion in relation to its corporate governance, risk management processes and internal control environment. For 2011/2012, although the work completed identified a number of improvements to be made, these do not constitute a systematic failure of internal control. In addition, although there have been a number of irregularities reported in year (see anti-fraud below) these have not highlighted a systematic failure of internal controls across KCC. We have summarised the key themes to be developed for each of the three categories of the Council’s system of internal control below.

Corporate Governance

The Council's approved and adopted Code of Corporate Governance is consistent with the principles of good governance set out in the CiPFA Good Governance standard for public services (2004). The code is kept under review by the Council's Monitoring Officer and amended as necessary. The outcome of the review and any resultant changes are reported to the Governance & Audit Committee.

Since 2007, Internal Audit's governance reviews have focussed on assessing on a rotational basis whether the Council meets the six principles of the CiPFA/SOLACE guidance "Delivering Good Governance in Local Government Framework". The results have been as follows:

Year	Scope of review	Assurance
08/09	Function of Policy Overview and Scrutiny Committees Role of Monitoring Officer Directorate action plans to introduce improvements identified in individual annual governance statements	High
09/10	Engagement with local people and other stakeholders to ensure public accountability	High
10/11	How Members and officers work together to achieve a common purpose	Substantial
11/12	Standards of conduct and behaviour Developing the capacity and capability of Members	Substantial (draft)

Risk Management

In 2011/12 we reviewed Council-wide risk management arrangements through interviews with officers and by reviewing relevant documentation including risk management guidance, risk registers, risk reports and minutes of meetings.

The audit confirmed that a comprehensive risk management strategy was in place, proper determination of roles and responsibilities as well as a system for recording risks and control measures. It also confirmed the existence of a corporate risk management team and a corporate risk register.

However the audit highlighted several areas which required further improvement. In particular the risk registers were not in place at directorate level for all directorates and there were no demonstrable processes in place to escalate risks coupled with little evidence to support risks being monitored and reported at management team meetings.

The responsibility for the Council's Risk Management transferred from the Finance and Procurement function to Business Strategy in October 2011, and a dedicated Risk Management team has been established to ensure that Risk Management is embedded across the Council and to address known issues in the current arrangements.

Internal Controls

Though our work identified instances where controls were not operating as intended, our work has not identified significant weaknesses in the overall internal control environment which would leave the Council exposed to ongoing risks.

Controls are generally in place and operating effectively, however there were some exceptions noted from our reviews during the year. Set out below are key themes from our audits where actions were required to secure improvements to the control environment:

Control lapses due to organisation changes

Over the period from 2011/12 to 2014/15, KCC will have been required to make savings from 25-40%. This has posed the Council with the challenge of how to bridge the significant gap between reduced revenue and continuing funding pressures. For this reason KCC has had to radically rethink its approach to the design and delivery of services and also has had to adapt its structure so that it is leaner, more focussed on key priorities and yet delivering a structure that supports an organisational culture centred on being a single organisation. Several audits have confirmed that whilst this restructuring process is occurring, there have been lapses in controls. In certain audits, although there was evidence of corporate policies being implemented, it was noted that at directorate level some of these controls were not being implemented. Several actions are already being undertaken to make improvements e.g. corporately led roll out of programmes such as performance management, risk management; improved training to directorate managers to ensure they have the appropriate skills to undertake all aspects of their roles.

Data Quality

During 2011/12 certain application and other audits highlighted concerns in relation to the quality of data held in the Council's systems. We have been requested to perform further work in 2012/2013 to better understand the underlying causes and associated risks so that relevant actions may be taken. Recommendations made during 2011/12 are being followed up in the quarter they fall due.

Commercial Services (KCS)

An independent examination was instigated in relation to the control environment over the energy procurement and contract management service known as LASER in 2011/12 which made several recommendations including those around governance and reporting, contracting, internal audit assurance and pricing and invoice validation. The recommendations were agreed and implemented during the year. This included commissioning a "root and branches" review of all services provided by Kent Commercial Services which is nearing completion. In 2012/2013 a follow up review is being commissioned to follow up recommendations made and to provide assurance that tendering, evaluation and contract monitoring processes are adequate and effective. KCS has now appointed its own Internal Audit Manager and is actively recruiting another member of staff for its Internal Audit team. This team will have a professional reporting line to the Head of Internal Audit. Once in post, the team will provide assurance that the recommendations have been implemented and will also be responsible for providing assurance over all key risks and reporting results to the Governance & Audit Committee.

Summary of Internal Audit work undertaken

Core work

Opinions	No. of audits	% of audits
Full / compliant	3	6%
Substantial	29	55%
Limited/non compliant	13	25%
Minimal	0	0%
Split assurance	3	5%
Opinion not applicable	2	4%
Assurance opinion pending completion of work	3	5%
Total	53	100%

Limited or Non compliant opinions were given to:

- *Schemes of Delegation and Limits on Approval*
- *Risk Management*
- *Use of Corporate purchase cards*
- *Enterprise (property information database)*
- *Financial controls in schools*
- *CARA Registrations application*
- *Capita One application*
- *Communications*

- *Procurement*
- *Adult's Direct Payments*
- *Children's Direct Payments*
- *AP and iProc – i Proc element (split assurance)*
- *Equalities Act*
- *Performance management framework – data quality aspect; source data (split assurance)*
- *Kent County Council Elections*
- *Health & safety – training records (split assurance)*

Appendix A sets out the summaries of all reports issued since the last report to Governance & Audit Committee in April 2012. Appendix B lists all internal audits and the overall assurance rating for them.

Follow ups

As detailed previously at the end of each audit we make recommendations to improve the control environment. We follow up on all high and medium priority recommendations as they fall due and report progress to Governance and Audit Committee.

	High	Medium
Number of recommendations falling due in 11/12	23	70
Recommendations with revised implementation date	5	17
Number of these recommendations outstanding at time of report	0	0

There were no recommendations that were overdue at the time of writing this report. However 22 recommendations had been rescheduled and will be followed up in 2012-13. Of these five are high priority and all relate to Data Protection. These five recommendations have been included in the Information Governance Action Plan which is due for completion by 31 December 2012. We consider this response to be appropriate and will be following up on this at the revised due date.

Anti Fraud work

There were 28 irregularities reported to Internal Audit. An analysis of the types of irregularities reported is shown below:

Type of Fraud	Number
Fraudulent insurance claims	0
Social care fraud	4
Economic and third sector support fraud	0
Debt fraud	0
Pension fraud	2
Investment fraud	0
Payroll and contract fulfilment fraud	4
Employee expense fraud	9

Abuse of position for financial gain	6
Manipulation of financial or non financial data	0
Disabled parking concessions	2
Recruitment	0
Other	1
Total	28

(Categorised in accordance with the Audit Commission's Fraud and Corruption Survey 2011/12).

Two of these irregularities were reported to the Police. Six resulted in disciplinary action and of these three staff were dismissed for gross misconduct. Four staff resigned during the course of the investigation and one Blue Badge was withdrawn.

In August 2011 the Council appointed a Counter Fraud Manager and a Counter Fraud Officer shortly after. This increased Internal Audit's capacity to proactively address fraud. This proactive work undertaken included raising the level of fraud awareness within management and discussing fraud risks and the Council's anti-fraud strategy. Fraud awareness presentations have been delivered through the Financial Management Development Programme and to other services around the Council. Key policies and procedures have been reviewed and recommendations have been made to assist in the interpretation of these policies during investigations, and the Intranet has been updated with useful information about fraud and fraud prevention advice.

The Council is required to take part in the Audit Commission's National Fraud Initiative which is a bi-annual exercise. The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. This includes police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. The subsequent 'matches' are made available to the Council to review and consider investigating. It is important to note that a match does not automatically

indicate that fraud is taking place and there is usually a reasonable explanation for the match. All high priority matches have been reviewed and the remaining reports remain available for further analysis. No potential frauds have been identified so far.

Liaison with External Audit

We have continued to work very closely with the External Auditors and have developed a very good working relationship with them. This has been reinforced by the creation of an agreed protocol between Internal and External Audit. They have, as appropriate, relied upon our audit work as part of their external audit of the Council.

III. Internal Audit Performance

Internal audit performance

Members of the Governance and Audit Committee receive regular reports on Internal Audit's performance against a range of indicators throughout the year. Internal Audit's performance against those targets are shown below:

Performance Indicator	Target	Actual
Effectiveness		
% of recommendations accepted	98%	96%
Efficiency		
% of plan delivered	95%	99%
% of available time spent on direct audit work	85%	86%
% of draft reports completed within 10 days of finishing fieldwork	90%	43%
Preparation of annual plan	By March	Met
Periodic reports on progress	G&A Cttee meetings	Met
Preparation of annual report	Prior to AGS	Met
Quality of Service		
Average Client satisfaction score	90%	88%

During 2011/12 Internal Audit was restructured which reduced capacity for 6 months of the year and the section is still not at full establishment. Despite

these changes the section has delivered 99% of the plan enabling the overall audit opinion to be given. We are actively working to improve our turnaround times for producing draft reports after completion of fieldwork, trying to ensure a balance between our essential quality assurance procedures whilst ensuring the draft report is issued whilst still relevant.

Compliance with the Code of Practice for Internal Audit

Each year Internal Audit carries out a self assessment using the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit. The Code is divided into 11 sections and covers the expected standards to which Internal Audit should be working and is mandatory.

The assessment confirmed compliance with the Code of Practice in most material respects. Certain exceptions were highlighted and these are summarised as follows:

- Where services are provided in partnership there is no formal mechanism for identifying how assurances will be sought or for ensuring rights of access.
- The Head of Audit has not sought to establish a dialogue with all regulatory and inspection agencies that interact with the Council. In practice the responsibility for liaison of this nature fell to the Audit Commission in their capacity as Local Government lead regulator. With the abolishment of the Audit Commission and the planned revision of the Code, we will await further guidance in relation to this issue.
- Currently there is no mechanism to ensure that risk registers are updated for the outcome of internal audits.

- Although the Head of Internal Audit has defined a standard for audit documentation and working papers there are no independent quality reviews undertaken to monitor adherence with this standard. However manager review processes on individual assignments and reviews of audit reports by the Head of Internal Audit are designed to ensure a good quality output is achieved.

Other areas where there were compliance gaps have been addressed through changes to the Internal Audit Manual or the Internal Audit Charter.

Compliance with the CiPFA statement on the Role of the Head of Internal Audit in public service organisations

We have reviewed the Council's compliance against the CIPFA statement on the Role of the Head of Internal Audit in Local Government (2010). As reported to the Governance and Audit Committee in March 2011, the Council's arrangements comply in all significant respects with the principles set out in the CIPFA statement. During 2011/12 responsibility for the preparation of the Annual Governance Statement was transferred to the Monitoring Officer. This had been highlighted previously as a key area of non compliance with the statement. Remaining gaps include:

- There is no mechanism in place to ensure that the Head of Internal Audit is consulted on all major projects, programmes and policy initiatives.
- Responsibilities for drawing up and reviewing key corporate strategies, statements and policies do not currently include the Head of Internal Audit
- The basis on which the Head of Internal Audit can give assurances to other organisations and the basis on which the Head of Internal Audit can place reliance on assurances from others has not been documented or agreed.
- The Head of Internal Audit's responsibilities relating to partners including joint ventures and outsourced and shared services have not been documented or agreed.

We do not consider these areas of non compliance to be significant and will develop as appropriate.

Internal Audit Charter

Each year the Internal Audit Charter is reviewed to ensure that it is up to date and meets the needs of the Council. The Charter has been amended to ensure compliance with the CIPFA Code of Practice for Internal Audit in Local Government. A revised version can be found at Appendix C.

Changes made were minor and related to the following clarifications:

- Internal audit activity extends to all remote establishments, subsidiary companies and trading activities.
- Internal Audit ensures that all records or information received is treated confidentially.
- Internal Audit will annually review the Charter to ensure it is still relevant.
- Updating of the charter to reflect the appointment of the Counter Fraud Manager.
- Internal audit work includes requests for advice on controls and risks.

2011/12 Acknowledgements

We are grateful for the assistance and cooperation provided by the Council's staff during the course of our work. This has been much appreciated, in particular, the ongoing challenge and support of the Governance and Audit Committee.

Appendix A - Summary of individual internal audit projects issued since April 2012

Corporate Governance

Scope

The overall objective of the audit was to provide assurance that adequate and effective controls are operating in the Authority to promote values, ensure high standards of conduct and behaviour and to develop the capacity and capability of Members to be effective.

Overall Assessment (Draft) – Substantial

The 'Substantial' assurance is based on a review of the guidance and processes in place and the effectiveness of Member development opportunities. There is guidance in place which is communicated to Officers and Members through different media. There was evidence of comprehensive Member development and induction programmes which are frequently updated and relevant to the needs of the users.

We have made four recommendations to further improve controls, none of which are high priority. These include the introduction of KPIs relating to Member development, conduct or complaints.

Schemes of delegation and limits on approval

Scope

The overall objective of this audit was to provide assurance that responsibilities are delegated in line with the Constitution, including the Executive Scheme of Officer Delegations and Financial Regulations, through documented Directorate level Schemes of Delegation.

Overall Assessment (Final) – Limited

The 'Limited' assurance is based on key issues that require prompt management attention. Particular attention should be paid to identifying an up to date Directorate Scheme of Delegation (local scheme) and relevant owner for each directorate. In addition recommendations were made to improve consistency across local schemes and procedures to ensure regular review including review of linkages to the Constitution and Financial Regulations. Recommendations were also made to improve awareness of local schemes amongst staff including budget managers.

We have made nine recommendations to improve the existing controls, two of which are high priority.

Performance Management Framework

Scope

The overall objective of this audit was to provide assurance on progress to date on implementation and development of the Performance Management Framework, the underlying systems and the information reported.

Overall Assessment (Draft) –

Performance Management Framework – Substantial

Source Data Quality - Limited

The 'Substantial' assurance is based on the performance management framework being in place with regular review of the Key Performance Indicators (KPIs). In particular we confirmed proper approval of the corporate suite of the KPIs, integration of data collection into normal business process and assignment of KPIs to named owners accountable for their performance.

The key recommendations in the report relate to data quality which was given a limited assurance as several issues require timely management attention. In particular recommendations were made in relation to ensuring the completion of data definition forms for all KPIs, ensuring that KPIs characteristics are compared to best practice standards contained within the Data Quality policy and developing and issuing a single Council Data Quality Framework.

These issues will be explored further in the Data Quality audit which is planned for 2012/2013.

Risk Management

Scope

The overall objective of the audit was to provide assurance that the Council has adequate, robust risk management arrangements in place to support the Annual Governance Statement.

Overall Assessment (Final) – Limited

The audit confirmed that the Council does have a comprehensive risk management strategy in place, roles and responsibilities have been determined and a system for recording risks and their control measures is in operation. In addition the newly established corporate risk team has been instrumental in establishing an up to date corporate risk register.

However the 'Limited' assurance is based on several key issues that require timely management attention. In particular we recommended that

- The roles and responsibilities detailed within the current risk management policy be amended to reflect the changes to the Council's structure or governance arrangements.
- Directorate level risk registers be introduced for all directorates, with processes in place to escalate risks.
- Improvements be made to ensure consistency in the format and detail of the risk registers
- Management team meetings include reporting and monitoring of risks

We made eleven recommendations to further improve controls, four of which are high priority.

Oracle general ledger

Scope

The overall objective of this audit was to provide assurance on the adequacy and effectiveness of the systems and controls operating over the Oracle General Ledger System.

Overall Assessment (Final) – Substantial

The 'Substantial' assurance is based on the audit confirmed several areas where controls were operating effectively as follows:

- Access controls
- Interface controls
- Controls over journal transfers
- Bank reconciliations

The audit also highlighted a few areas for improvement including the chasing of responses to establish the appropriateness of access levels; correction of isolated instances where incorrect categories were assigned to journal transfers and ensuring all suspense accounts had easily identifiable owners and were cleared on a regular basis.

Oracle Accounts payable and iProc

Scope

The overall objective of the audit was to provide an assurance on the Oracle Accounts Payable and Oracle iProc modules which are part of the Council's key financial and information systems.

Overall Assessment (Draft) – AP - Substantial; iProc – Limited

The 'Limited' assurance given for the iProc module is based on several issues that require immediate management attention. In particular iProc financial procedures require updating, controls over supplier set ups need enhancing and improvements should be made around exception reporting.

Four high priority recommendations have been made.

'Substantial' assurance was given for the Accounts Payable module as controls were found to be operating effectively in relation to payment runs, the identification of duplicate payments and access controls. Some recommendations were made to improve exception reporting and to improve the timeliness of invoices being received from budget managers.

Communications

Scope

The overall objective of the audit was to provide assurance on the application of and compliance with the Council's policies and procedures on Communications.

Overall Assessment (Final) – Limited

The Communications team was restructured and was established in its new form in September 2011. Since then processes and controls have been put in place to ensure that Communications within the Council comply with the 'One Council' approach. At the time of the audit, the Director of Communications was new in post. Hence, during the audit we performed a baseline assessment of the adequacy and effectiveness of controls that are currently in place. We plan to re-audit Communications in the 2012/13 audit plan, when the new structure is fully embedded.

The 'Limited' assurance is based on the significant issues identified with Communications across with Council which needs urgent attention. In particular, actions need to be taken to address the lack of awareness of the role of the centralised Communications team and the need for performance indicators to be implemented to measure the performance of both the Communications team and the Council in relation to Communications. Recommendations were also raised to improve procedures within the Communications team including guidance and procedures for the team to use and enhancement of record keeping relating to work completed.

Treasury Management

Scope

The overall objective of this work was to provide assurance on the adequacy and effectiveness of the Treasury Management function to ensure that all borrowing and investments are undertaken and authorised in accordance with organisational policy.

Overall Assessment (Final) – Substantial

The 'Substantial' assurance is based on evidence that controls were in place and operating as intended including:

- up to date policies and procedures and an approved annual Treasury strategy (agreed by Cabinet prior to the start of the financial year)
- the existence of a Treasury Management Scheme of Delegation setting out groups or individuals that have responsibilities over key treasury management processes.
- a cash-flow forecasting spreadsheet to monitor forecast income and expenditure
- requirement for investment approval to place funds based on the scheme of delegation.
- regular reporting of performance and prudential indicators to the Governance and Audit Committee

We have made two recommendations to improve on existing controls that management have accepted. None of the recommendations made were high priority.

Cash and Bank

Scope

The overall objective of the audit was to provide an assurance that adequate and effective controls are operating over the management and administration of cash and banking.

Overall Assessment (Final) – Substantial

Income is received by the Council on a daily basis through a number of different payment methods including cash, cheques and card payments. Exchequer Services are responsible for receiving, banking, allocating and reconciling all income to the authority.

The audit confirmed several areas where controls were operating adequately and effectively:

- established processes for cashiering and banking
- a number of experienced and knowledgeable members of staff who are all aware of their day to day responsibilities.
- processes to receive, bank and reconcile cash and cheques, ensuring division of responsibility for invoiced income.
- identification and clearing of items posted as miscellaneous
- regular banking of Income and accurate coding and allocation.
- daily procedures for credit/debit cards are completed which include reconciliation of total amounts collected and coding of income.

We have made recommendations to improve on existing controls that management have accepted. None of the recommendations made were high priority.

Pensions contributions

Scope

The overall objective of this audit was to provide assurance that contributions for pensions are being correctly deducted and paid over to the Pension Fund.

Overall Assessment (Final) – Substantial

The 'Substantial' assurance is based on pensions contributions being correctly deducted and paid over to the Pension Fund. In addition:

- updated procedures notes for the 'Local Government Pension Scheme contribution income' were in place;
- monthly checks of employers' contributions and associated raising of journals were undertaken;
- accurate calculation of employees' contributions within Oracle was identified; and
- there were controls in place over the annual reconciliation process.

We have made two recommendations to improve on existing controls that management have accepted. None of the recommendations made were high priority.

Pensions investment income

Scope

The overall objective of this audit was to provide assurance on the adequacy and effectiveness of controls in ensuring income derived from Pension Fund investments is correctly accounted for.

Overall Assessment – (Final) Full.

The 'Full' assurance was based on evidence from sample testing that in all key areas, controls were in place and operating as intended, including:

- up to date policies and procedures
- the KCC Superannuation Fund Statement of Investment Principles including a self evaluation against CIPFA principles
- monthly reports for larger funds were obtained, software updated and reconciliations conducted
- quarterly reports were obtained and reconciliations undertaken for smaller funds
- journals were raised to update the Oracle Financial Ledger with summary movements of the transaction information provided by fund managers
- annual reconciliations between Shareholder (the Council's investment management software) and Oracle.

We have made one low priority recommendation to improve on existing controls that management have accepted. None of the recommendations made were high priority.

Enterprise (Property information database)

Scope

The overall objective of the audit was to provide assurance on the effective and efficient operation of the Enterprise system, including the quality of underlying data, and its fitness for purpose to support the achievement of effective estate management.

Overall Assessment – (Draft) Limited

'Limited' assurance was given as the audit highlighted several key areas where controls were not in place or were not being applied effectively. In particular recommendations were made to :

- improve reconciliation processes around data held outside the system in various forms
- introduce an interface between Enterprise and Oracle
- enhance paperwork around changes to the property database
- improve compliance with documented procedures
- introduce formal documentations for data ownership
- transfer "ownership" of data within Enterprise from ICT to Property
- ensure regular clearing of errors highlighted by review of core data validation reports
- start providing comprehensive management information to senior management

Ten recommendations have been made, five of which are high priority.

Routewise

Scope

The overall objective of the audit was to provide an assurance that adequate and effective controls are operating around the use of the Routewisetm system.

Overall Assessment (Draft) – Substantial

Routewisetm is used to maintain service user and contractor details relating to mainstream applications for transport. The allocation of pupils to contracts with transport companies is co-ordinated via the Routewisetm system. Invoices received from the transport providers are checked against the details of contracts held on Routewisetm and are processed for payment.

The 'Substantial' assurance is based on sample testing that in all the key areas controls are in place and operating as intended. There were effective controls in place to ensure that payments made are accurate and contracts for transport suppliers are inputted accurately and changes appropriately authorised.

We have made six recommendations to further improve controls, none of which are high priority, which include implementing data quality checks and the use of exception reporting to highlight improper access to the system or changes to records and user accounts.

Financial control in schools

Scope

The overall objective of this work was to provide assurance that the system of compliance visits and supporting processes on financial control in schools is adequate and effective to allow Internal Audit to place reliance on the work undertaken.

Overall Assessment (Draft) – Limited

In 2011/12 a new self-assessment process was introduced for schools, the Schools Financial Value Standard (SFVS). This requires the Corporate Director of Finance and Procurement to sign a statement asserting that there is an adequate system of audit over schools financial management and propriety of spending.

In order to sign this statement Internal Audit needed to provide assurance in relation to the reviews of schools undertaken so that from 2012/2013 reliance can be placed on the work done by the SFS Compliance Team within ELS. This audit therefore differed from the approach taken previously and provided a position statement on the content of the compliance visits performed in 2011/12 and required actions to ensure this reliance can be placed in future.

The 'Limited' assurance was based on several issues identified by the audit which require prompt action such that reliance can be placed from 2012/2013. In particular recommendations have been made to improve the detail of the workbooks used and the testing undertaken, to further develop the follow up process for all recommendations based on risk and to use risk as a basis for compliance visits.

Appropriate actions have been agreed to address all recommendations made and Internal Audit and Schools Financial Services will be working closely together to take this forward in 2012/2013.

We have made eight recommendations to further improve controls, five of which are high priority.

BSS Sharepoint

Scope

The overall objective of this work was to provide assurance on the adequacy and effectiveness of the key controls being applied over the Council's SharePoint and SharePoint implementation.

Overall Assessment (Final) – Substantial

The technology and infrastructure required to roll out the SharePoint solution across the Council has been developed, but key governance decisions had not been made to manage this process. A Governance Plan is in place and a Governance Board has been established with responsibility for ensuring that SharePoint meets the objectives of the Council. The objectives and scope of the Board are yet to be formally defined in a terms of reference.

The 'Substantial' assurance is based on the assurance from ICT Division that there will be no wide-scale roll out of SharePoint until key decisions have been made by the SharePoint Governance Group, and the timescale for roll-out is likely to be over several years

We have made three recommendations to improve on existing controls that management have accepted. None of the recommendations made were high priority.

ELS Capita one application

Scope

The overall objective of this work was to provide assurance on the adequacy and effectiveness of the key controls being applied over the management and administration of the Council's CapitaOne application.

Overall Assessment (Final) – Limited

Capita's 'One' product is the application used for the Council's Children and Education Services. Schools provide data for input but this data needs to be cleansed before loading onto the system. A key role for this system is to provide robust management information to help the Council meet their statutory obligations for government returns and provide the Council with good information on which to base decisions around schools.

The 'Limited' assurance is based on the significant issues with the CapitaOne application that require immediate management attention to help ensure that the application is able to meet the objectives of the Council and maintain security. Particular attention should be paid to the current access controls to help prevent unused accounts being exploited. In addition, the multiple versions and delays in patches and upgrades are affecting the business processes and require attention.

We have made fifteen recommendations to improve on existing controls (Four high priority, six medium priority and five low priority recommendations) that management have accepted. The high priority recommendations included a full review of user and system accounts, strengthening of password controls, and preparation of a plan to clear and maintain suspense files using summary reports to identify "quick wins".

Health & safety

Scope

The overall objective of the audit was to provide assurance that the Council has adequate and appropriate policies, procedures and processes in place to ensure that employees are aware of their responsibilities, are properly protected and that the Council complies with the requirements of relevant Health and Safety legislation.

Overall Assessment (Draft) – H&S management - Substantial H&S training records - Limited

The assurance is based on a review of the policies, procedures and processes in place. Procedures and guidance are readily available to all staff to help them manage health and safety appropriately. Accidents and near misses are monitored and analysed effectively to identify trends which are then used to inform the Health and Safety plan for the following year. Specific needs risk assessments were completed where required.

We have made 6 recommendations to further improve controls, 2 of which are high priority. These include reminding staff about the regulations for reporting accidents to the HSE and ensuring that a central record of health and safety training received by staff is maintained and staff who have not attended and successfully passed mandatory training are identified.

Direct payments - children

Scope

The overall objective of this audit was to provide assurance that the Council has adequate and appropriate policies, procedures and processes in place for making direct payments to parents/carers of disabled children and disabled young people aged 16 to 17 years to allow them to meet their assessed needs.

Overall Assessment (Draft) – Limited

A direct payment is one of the means through which a person can receive their personal budget and is usually paid into a bank account in lieu of services to individuals who have been assessed as having eligible needs. The aim of a direct payment is to give the individual the maximum degree of choice, freedom, flexibility and control to the user.

In KCC Disabled Children's Service all advice and support surrounding Direct Payments has been contracted out to a third party provider, which is a charitable company providing services to families, schools, hospitals, children's homes and other organisations who need support.

The 'Limited' assurance is based on significant issues that require immediate management attention to help ensure that service objectives are achieved. Particular attention should be paid to improving the clarity in relation to roles and responsibilities of the Council and the third party provider and ensuring that the contract is up to date and contains agreed targets/performance measures. In addition recommendations were made to improve the security of data and to ensure that signed direct payment agreements were retained on files.

We have made six recommendations to improve the existing controls, two of which are high priority.

Direct payments - adults

Scope

The overall objective of this audit was to provide assurance on the effectiveness and efficiency of the Direct Payments process within Adult Social Services.

Overall Assessment (Final) – Limited

A direct payment (DP) is one of the means through which a person can receive their personal budget. It is usually paid into a bank account in lieu of services to individuals who have been assessed as having eligible needs. The aim of a direct payment is to give the individual the maximum degree of choice, freedom, flexibility and control to the user.

The 'Limited' assurance is based on several issues which need immediate attention. In particular the audit recommended improvements in relation to retaining evidence of client agreement to terms and conditions, retention of evidence to support that direct payment risk assessments are completed in line with policy and ensuring that financial reviews of direct payments were completed consistently across client groups and areas.

We have made six recommendations to improve the current process. Two of these are high priority.

Equalities Act

Scope

The overall objective of the audit was to provide assurance that the Council has adequate and appropriate policies, procedures and processes in place to ensure that it is complying with the Equality Act and the Public Sector Equality Duties. The audit assessed organisational compliance with the Act (excluding staffing or procurement compliance which are within the scope of other audits).

Overall Assessment (Draft) – Limited

The Council has a core Equality and Diversity team who provide advice and guidance to staff as well as ensuring policies and procedures are up to date and in place for staff to follow. The Equality and Diversity team was restructured and established in its new form in 2011/12 but was not fully resourced till November 2011. Since then, the team have started to introduce processes and controls to ensure that the Council complies with the Equality Act and the Public Sector Equality Duties.

The 'Limited' assurance was due to several issues that either require or are already receiving timely management attention. In particular we recommended progression of the publishing of the Equality objectives, ensuring Directorates perform equality impact assessments before implementing key decisions or policies, and reporting more regularly to senior management and Members.

We have made 7 recommendations to improve procedures. 2 of these are high priority.

Blue Book job evaluation

Scope

The overall objective of this work was to provide assurance on the application of and compliance with the Council's policies and procedures on Job Evaluation, as detailed in the Blue Book to ensure consistency of gradings across the Council.

Overall Assessment (Final) – Substantial

Job Evaluation is the technique used to match jobs to grades to maintain consistent grading levels across a wide variety of jobs within the Council. An evaluation process has been developed using job profiles and covers all directorates. Due to the timing of our fieldwork the audit focused only on job evaluations requested as part of the recent restructure which took place across relevant directorates during 2011/12.

The Substantial assurance is based the availability of guidance for managers, support by HR Business Support if required, the introduction of a single 'Establishment Panel' to assist workforce monitoring and planning across the Directorate. Records of union involvement in all completed job evaluations and notification to Employee services of pay increases resulting from job evaluation.

We have made five recommendations to improve on existing controls that management have accepted. None of the recommendations made were high priority.

Equalities/Fairness at work

Scope

The overall objective of the audit was to provide an assurance on the application and compliance with the Council's policies and procedures contained in the Blue Book on Fairness at Work. These policies are designed to ensure equality and diversity is valued and promoted, to combat unfair treatment and ensure that staff reach their full potential.

Overall Assessment (Final) – Substantial

The 'Substantial' assurance is based on sample testing that in all the key areas controls are in place and operating as intended. There were effective controls in place to ensure that the Blue Book is updated on a regular basis and is accessible to all employees and all new employees are aware of its existence and their roles and responsibilities via the induction process.

We have made 3 recommendations to further improve controls, none of which are high priority.

Procurement

Scope

The overall objective of the audit was to provide an assurance on the application of and compliance with policies and procedures in place in relation to procurement.

Overall Assessment (Final) – Limited

The Procurement team was restructured and established in its new form in 2011/12. Since then processes and controls have been put in place to ensure that procurement within the Council complies with the 'One Council' approach. At the time of the audit, the Head of Procurement was relatively new in post. Hence, during the audit we performed a baseline assessment of the adequacy and effectiveness of controls that are currently in place. We plan to re-audit procurement in the 2012/13 audit plan, when the new structure is fully embedded.

The 'Limited' assurance is based on the significant issues identified with procurement across the Council, which the new Head of Procurement is now actively addressing. In particular actions are required to improve records held to demonstrate compliance with EU legislation and Council policy, improving awareness of the role of the centralised Strategic Sourcing and Procurement team, introducing performance indicators to measure the performance of the team or Council in relation to procurement and a need for procurement documentation to be updated and communicated throughout the Council.

We have made 9 recommendations of which 2 were high priority. We plan to re-audit procurement in 2012-2013 alongside key actions that the Head of Procurement is implementing during the course of the year.

Managing Change

Scope

The overall objective of this audit was to provide assurance that restructure processes are undertaken in accordance with organisational policy contained in the Kent Scheme Terms and Conditions of Service (Blue Book) – Managing Change (Section J) and the Council's Redundancy and Redeployment Policy.

Overall Assessment (Draft) – Substantial

The 'Substantial' assurance was based on the audit findings which confirmed that controls are being managed effectively. The key findings noted:

- a secure environment to ensure that legal and organisational processes around restructures are correctly and fairly applied.
- assignment of individual HR personnel to each restructure project to provide expertise in dealing with the difficult and complex process of organisational change.
- retention of required documentation on restructure proposals and staffing decisions
- secure internal control arrangements in place to ensure that the calculation of redundancy and other payments is accurate and authorised.

One medium priority recommendation was made in relation to the formal approval process and a number of low priority recommendations covering details such as the content of policy documents. However these did not detract from the overall compliance with processes and procedures defined in the Kent Scheme of Terms and Conditions (Blue Book), particularly when viewed against the number of restructures currently being considered or complete.

Exchange server and email

Scope

The overall objective of this work was to provide assurance that the management and configuration of the Exchange server and Email is adequately maintained.

Overall Assessment (Final) – Substantial

The 'Substantial' assurance is based on the controls implemented on the Council's email system which is deemed to be adequately managed. These controls include email filtering, Anti virus to prevent the introduction of a virus, blocking certain types of attachments, logging incoming mail, limiting mailbox sizes, adequate backup arrangements and regular updating of security updates and review of the server configuration to ensure they are in line with best practice. There are, however, some weaknesses in the policy and procedures of the email service to be addressed.

We have made recommendations to improve on existing controls that management have accepted. None of the recommendations made were high priority.

IT support arrangements

Scope

The overall objective of this review was to perform a benchmarking analysis of the current IT Service Delivery and Management arrangements against best practice and the Local Government Sector.

Overall Assessment (Final) – Not applicable

The best practice ITIL framework became the IT Service Management standard (ISO:20000) that defines how service management arrangements should be applied or adapted for use in any organisation that relies on IT Services to meet its objectives.

The gap analysis did not provide an assurance opinion on the adequacy of detailed policy content or its effective enforcement, but instead provided a clear baseline assessment to benchmark the existing IT Service Management arrangements against both the best practice service management framework and the Local Government Sector.

Overall, ICT arrangements and processes meet or exceed the benchmarking criteria for the majority of evaluation criteria. Whilst it is recognised that the Council is not meeting all the Benchmarks under ITIL, it is also recognised that until January 2012 this was never their strategic aim. The gap analysis shows that there is a clear foundation on which to build the IT Service, however, specific focus is required around the Service Delivery processes to help manage the underlying demands on IT which support the delivery of IT across the Council.

One recommendation has been raised for ICT Division to determine to what extent they would like to comply with ITIL, and then implement a plan to bridge the gap.

FSC - Business Objects

Scope

The overall objective of this work was to provide assurance that the use of the Business Objects report writing tool within the FSC Directorate is secure, that the data available to people with access to this powerful reporting tool is appropriate to their roles and responsibilities and that data confidentiality and security are maintained.

Overall Assessment (Final) – Substantial

The 'Substantial' assurance is based on the underlying control framework which has, and is continuing to be implemented. Good progress has been made in defining user groups and the reports users can view; as well as the reports that they can develop when self-service is implemented.

Control improvements have been recommended to further strengthen the existing controls. The implementation of the recommendations raised will help to ensure that the risk of failure to achieve overall objectives is minimised.

None of the recommendations made were high priority.

Appendix B - Detailed Analysis of internal audit projects in 2011/2012

Project – Directorate	Progress at June 2012	Date to G&A	Overall Assessment	Project – Directorate	Progress at June 2012	Date to G&A	Overall Assessment
Authority Wide				Core systems (cont)			
Kent County Council Elections	Completed	Nov 2011	Non compliant	Use of Corporate Purchase Cards	Completed	Sept 2011	Limited
Corporate Governance	Draft issued	July 2012	Substantial	Payroll	Completed	April 2012	Substantial
Schemes of delegation and limits on approval	Completed	July 2012	Limited	East Kent Payroll follow up	Completed	April 2012	Substantial
Annual Governance Statement	Completed	April 2012	Substantial (Limitation in scope)	Treasury Management	Completed	July 2012	Substantial
Performance Management Framework	Draft issued	July 2012	Substantial – Framework Limited – source data quality	Cash and Bank	Completed	July 2012	Substantial
Risk Management	Completed	July 2012	Limited	Medium term planning	Completed	April 2012	Substantial
Business Continuity Planning	Completed	April 2012	Substantial	Revenue Budget monitoring	Completed	April 2012	Substantial
Core systems				Pensions contributions	Completed	July 2012	Substantial
Commercial services – services tender costing	Completed	Nov 2011	Substantial	Pensions investment income	Completed	July 2012	Full
Transaction data matching	Completed	Nov 2011	Substantial	Enterprise (property information database)	Draft issued	July 2012	Limited
Quality assurance of care homes	Completed	Nov 2011	Substantial	Routewise	Draft issued	July 2012	Substantial
Oracle – general ledger	Completed	July 2012	Substantial	Financial control in schools	Draft issued	July 2012	Limited
Oracle – accounts payable and i Proc	Draft issued	July 2012	Substantial – AP Limited – iProc				
Oracle – accounts receivable	Completed	April 2012	Substantial				

Project – Directorate	Progress at June 2012	Date to G&A	Overall Assessment	Project – Directorate	Progress at June 2012	Date to G&A	Overall Assessment
IT audit				Policies			
Firewalls and firewall management	Completed	April 2012	Substantial	Data protection act and Freedom of Information	Work in progress		
Exchange server and email	Completed	July 2012	Substantial	Equalities Act	Draft issued	July 2012	Limited
IT support arrangements (ITIL)	Completed	July 2012	N/A	Blue Book – job evaluation	Completed	July 2012	Substantial
IT Policy and policy framework	Completed	April 2012	Substantial	Blue Book – recruitment and selection	Work in progress		
BSS Sharepoint	Completed	July 2012	Substantial	Blue Book – Total contribution	Completed	April 2012	Substantial
EE Freedom Pass application	Completed	April 2012	Substantial	Blue Book – employment contracts	Completed	April 2012	Substantial
FSC Business objects	Completed	July 2012	Substantial	Blue Book – Equalities Act/Fairness at work	Completed	July 2012	Substantial
CC – CARA Registrations application	Completed	April 2012	Limited	Blue Book – Health & Safety Act	Draft issued	July 2012	Substantial – H&S management; Limited - H&S training records
ELS Capita one application	Completed	July 2012	Limited	Blue Book – Performance & Conduct	Completed	Nov 2011	Substantial
FSC – ICS implementation	Completed	N/A	Ongoing advice and information	Communications	Completed	July 2012	Limited
Other				Procurement	Completed	July 2012	Limited
Carbon reduction commitment	Completed	Nov 2011	Compliant	Managing Change	Draft issued	July 2012	Substantial
Implementation of English National Travel Concessionary Scheme	Completed	Sept 2011	Full	Members expenses	Completed	April 2012	Substantial
Unaccompanied asylum seeking children – grant fund data quality	Work in progress						
Direct Payments – children	Draft issued	July 2012	Limited				
Direct payments - adults	Completed	July 2012	Limited				

Key	
Full	The controls evaluated are well designed, appropriate in scope and applied consistently and effectively. Any issues identified are minor in nature and should not prevent objectives being achieved.
Substantial	The controls evaluated are generally well designed, appropriate in scope and applied consistently and effectively, but weaknesses have been identified that require management attention. These issues increase the possibility that objectives may not be achieved.
Limited	Some controls evaluated are generally well designed, appropriate in scope and applied consistently and effectively. However, issues of poor design, gaps in coverage or inconsistent or ineffective implementation have been identified that require immediate management attention. The issues identified, if unresolved, mean that objectives may not be achieved.
No assurance	Expected controls are absent, or where evaluated are flawed in design, scope or application. The auditor is unable to form a view as to whether objectives will be achieved.
Not Applicable	Internal audit advice/guidance no overall opinion provided.

Appendix C - 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 Council 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 Corporate Director of Finance & Procurement.

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.

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 findings 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;
- 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 and corruption awareness
- Investigating allegations of fraud and corruption
- Providing advice (consultancy) in relation to areas of concern raised by Directorates

Internal Audit's activities extend to all remote establishments, subsidiary companies and trading activities.

Internal Audit is not relieved of its responsibilities in areas of the Council'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 Internal Audit 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 Annual Governance Statement.

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 or the Counter Fraud Manager who will determine if an investigation needs to take place. 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. Internal Audit will ensure that all information received as part of their work is treated confidentially at all times.

Internal Audit Resources

An internal audit plan is developed annually which takes into account the work that is needed to enable the Head of Internal Audit to provide an assurance on the control environment and governance across the Council. To ensure that there are adequate Internal Audit resources available to deliver the plan, an assessment is made to determine the number of staff days available; and to identify the knowledge and experience of staff to ensure that Internal Audit has the right skills mix to deliver the plan. Internal Audit will review the charter annually and attach a revised document to the annual internal audit report.

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 Internal Audit 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 Internal Audit will arrange for an independent review to be carried out, at least every five years which will be reported to the Governance and Audit Committee. The Head of Internal Audit will review the Charter annually and attach a revised document to the annual internal audit report.