Internal Audit Work Programme for July 2012 – March 2013

Assurance Reviews

These reviews will result in a formal assurance opinion of the area subject to review. In addition to being considered by the CS Executive Board and management, such reviews will be presented to the KCC Head of Internal Audit and subsequently reported to Governance and Audit Committee. These reviews will also be formally reported in the annual internal audit report and used to inform both the production of the Annual Governance Statement (AGS) for KCC and internal audit plan for 2013-14.

Audit	Reason for Audit	Audit Details	Audit Owner	Audit Contact	Staff Involved	Timing
Core Assurance, Risk and Governance Reviews						
Transformation Programme Follow Up Progress	Provide management and KCC with an update as to the progress made to implementing the change programme.	A follow up review of the actions and recommendations raised in the previous Governance reviews.	CS Executive Board	Various	As noted in Engagement Plan document.	DRAFT Report Issued
Core Finance Reviews						
General Ledger	Key financial systems audit to allow KCC and External Audit to place reliance.	A review over the controls of the general ledger transactions including; journals, virements, suspense accounts and system reconciliations.	Les Coulson *Director of Finance*	*Head of Finance* *Finance Manager*	*Finance Manager*	Dec 2012

Audit	Reason for Audit	Audit Details	Audit Owner	Audit Contact	Staff Involved	Timing
Accounts Receivable	Key financial systems audit to allow KCC and External Audit to place reliance.	A review of the accounts receivable system including debtors accounts, debt collection and recovery, raising of credit notes, monitoring of aged debt and write offs. This review will also extend to the processes operated by a sample of divisions in respect of raising debtors invoices. Including: - Kent County Supplies inc. Furniture - Landscape Services - Kent Top Temps - Transport Services - County Print	Les Coulson *Director of Finance*	*Head of Finance* *Exchequer Manager*	*Operations Manager- Educational Supplies* *Business Manager- Furniture* *Business Manager - Landscapes* *Operations Manager- Kent Top Temps* *Business Manager – Direct Services* *Business Manager – CP&D*	IN PROGRESS
Accounts Payable	Key financial systems audit to allow KCC and External Audit to place reliance.	A review of the accounts payable system including controls over ordering and the processing and payment of invoices. This review will also extend to the processes operated by a sample of divisions in respect of purchasing and raising orders. Including: - LASER - Kent County Supplies inc. Furniture - Care Services - Landscape Services - Kent Top Temps	Les Coulson *Director of Finance*	*Head of Finance* *Exchequer Manager*	*Head of PSG* *Director of Energy* *Director of Care* *Business Manager - Landscapes* *Operations Manager- Kent Top Temps*	IN PROGRESS

Audit	Reason for Audit	Audit Details	Audit Owner	Audit Contact	Staff Involved	Timing
Payroll Processing	Key financial systems audit to allow KCC and External Audit to place reliance.	A review of key controls over the payroll system including starters, leavers, changes, the salary payrun and payroll budget monitoring. *Coverage will be restricted to those CS staff currently employed by KTT Ltd.*	Robert Palmer *Head of HR*	*Payroll Manager*	*Payroll Manager*	Jan 2013
Income Collection, Banking and Bank Account Reconciliations	Key financial systems audit.	A review of the key controls over the collection of physical income and banking processes. As well as coverage of the bank account reconciliation process. This review will also cover the operations of the post room in dealing with, security and transfer of income received and will also consider any other divisions where physical income may be received. - Waste Management - Simplicare Outlet - Transport Services	Les Coulson *Director of Finance*	*Head of Finance* *Exchequer Manager* *Finance Manager*	*Operations Manager-Simplicare* *Business Manager-Direct Services* *Waste Site Manager* *Business Manager-Fleet*	DRAFT Report Issued
Change Assurance Reviews						
PCI Compliance	Introduction of additional methods of card payments. To comply with industry practice to take card payments CS should be compliant with PCI DSS.[1]	Assessment of CS compliance with PCI DSS by various divisions including: - Exchequer Services - Care Services - Transport Services - Waste Management	Les Coulson *Director of Finance*	*Head of Finance* *Exchequer Manager* *Finance*	*Operations Manager-Simplicare* *Business Manager – Direct Services* *Waste Site Manager*	Jan 2013

[1] Payment Card Industry Data Security Standards

Audit	Reason for Audit	Audit Details	Audit Owner	Audit Contact	Staff Involved	Timing
				Manager	*Business Manager-Fleet*	
Data Protection	Compliance with data protection is essential given the amount of customer data that will be obtained by the organisation.	Review of the methods and processes of governing, protecting and use of personal data within the organisation. To ensure compliance with the Data Protection Act 1998. *Request made to Information Commissioner Office to undertake an advisory review that internal audit will be able to place reliance upon.*	David Jackson *Director of Planning*	*Director of Planning*	*Head of Business Solutions*	TBC
LASER – Billing	LASER customers have requested independent assurance that billing processes are robust.	This review will cover the arrangements in place for billing customers, including billing verification and rebate processes. Data analytic tools will be used to analyse existing data to select a sample of accounts that should be tested and highlight any other anomalies such as duplicate data and data exceptions outside normal parameters. The findings of this review will also feed into the GEMS II Project by highlighting any control weaknesses that may be addressed in the new software and potential for data cleansing.	Rob Morgan *Director of Energy*	*System Administrator*	*System Administrator* *Head of Business Solutions*	Dec 2012
KCS – One Office Application	Assurance needed over successful upgrade of One	General application and key control review of One Office upgrade. This will also involve some data analysis of duplicate data and incomplete data held	Steven Munday *Director of*	*System Administrator*	*System Administrator*	Jan 2013

Audit	Reason for Audit	Audit Details	Audit Owner	Audit Contact	Staff Involved	Timing
Review	Office system.	on the system. The One Office upgrade occurred on 18th August.	*Education Supplies*			

Advisory Reviews

These reviews will be advisory and consultative in nature to assist CS Board and management achieve its long-term objectives and business plans. They will <u>not</u> result in a formal assurance opinion, however formal reports will be produced detailing the outcome of the work performed. These reviews will also be used to inform the production of the Annual Governance Statement (AGS) for KCC, the annual internal audit report and will inform the internal audit plan for 2013-14.

Audit	Reason for Audit	Audit Details	Audit Owner	Audit Contact	Staff Involved	Timing
Core Advisory Risk and Governance Reviews						
Entity Wide Control Review	This will predominantly inform the production of IA Strategy for the next 3 years and Plan for 2013-14. It will also identify areas lacking policies and procedures that need to be produced once the new entity structure is complete.	This is a high level review of the organisational control environment that will cover risk and governance arrangements. **NOTE:** *The consultancy piece of work commissioned to review the business plans, targets and implementation of the recommendations from the ROAD reviews will be used as a form of reliance for this piece of work.* *Furthermore, the Fraud Manager at KCC has been tasked with delivering fraud training to commercial services, which will be included as part of this review.*	Ian McPherson *Managing Director*	*Managing Director*	Various	Ongoing
Project Advisory Reviews						
Office Move	Advisory input due to the significance and large scale of the project.	**IT Resilience**: This review will form part of the review of the overall project management process, to include transition arrangements in place over IT to ensure the continued provision and back up of systems and that current IT Disaster Recovery plans remain applicable.	David Jackson *Director of Planning*	*Head of Business Solutions*	*Head of Business Solutions*	Feb 2013

Payroll System (SAGE)	Advisory input due to implementation of new software and processes.	Risk and control input into the payroll project. Review of PID and other project documentation and attendance at project meetings resulting in interim reports highlighting any areas for consideration by management over the management and progress of the project, as well as risks that may need to be mitigated.	Robert Palmer *Head of HR*	*HR Operations Manager*	*HR Operations Manager* *Project Manager*	Ongoing
GEMS II	Advisory input due to the significance reliance on the system and large scale of the project.	High level review of the recruitment and procurement process of the Project Manager and Software Developer.	David Jackson *Director of Planning*	*Project Manager*	*Head of PSG* *Head of Business Solutions*	Dec 2012

LIST OF POTENTIAL AREAS FOR INCLUSION IN THE INTERNAL AUDIT WORK PROGRAMME COVERAGE FOR 2013 ONWARDS

Below are areas of CS that could be included in future years internal audit work programme:

Area	Rationale
IT Disaster Recovery Arrangements	Assurance required that critical business IT and technology can be recovered and continue to be used after the move. Post the move and expected relocation of the servers, this review will consider the IT and technology disaster recovery arrangements in place to ensure that they are robust and adequately tested to ensure the availability of critical IT and technology to CS in the event of a disaster. Quarter 1 2013-14.
IT Health Check	A general review of access controls and physical security over IT after the move and formation of new companies.
Effectiveness of the Board	Given that the establishment of a Board of Directors will be new to CS and KCC, this review will consider how the Board operates to ensure it is fit for purpose and effective.
Follow Up	It is intended that a mechanism will be introduced by internal audit, supported by the CS Executive Board to monitor and track the implementation of actions arising from all internal audit reviews. A review to provide assurance that such actions have been addressed as recorded by management will need to take place annually.
GEMS II	A review to provide assurance that the project is achieving it's intended objectives and that appropriate system controls have been built within the system.
Project Management and Methodology Compliance	To ensure that an appropriate and consistent project management framework and methodology is adopted by CS and is complied with. *This may not be deemed necessary dependent on the outcome of the project advisory reviews.*
Health and Safety	Given the operations of many of the CS businesses, health and safety is a high risk area that should be subject to periodic review across the whole of the organisation.

	During November 2012 CS operations have been subject to a Health and Safety review undertaken by KCC.
Contract Monitoring and Management	The failure of contracts could have a detrimental impact on the reputation of CS. Furthermore, poorly managed contracts do not provide CS and their customers value for money and may even result in additional costs.
Customer Management	A review into the processes and steps taken to retain customers and measure/deal with customer satisfaction and feedback.
LASER Rebate Methodology	Management and customers may require assurances that the rebate, from the fraud case, calculation and processing methodology is fair and robust.
Rebate Processing	The appropriateness and methodology in processing rebates as part of the KCS and PSG should be open and transparent to provide assurance to stakeholders. Furthermore. Mechanisms should be in place to ensure that rebates due to CS are identified and calculated correctly.
HR - Recruitment	Recent high levels of recruitment may warrant a review to ensure that processes are efficient, appropriate, authorised and fair.
HR – Performance Management	As a result of the management and organisation restructure there is a need to ensure that management apply HR policies and processes consistently. This review would include the appraisal process, dealing with poor performance and training.
Business Continuity	To ensure that critical business functions will be available to customers, suppliers, regulators, and other entities that must have access to those functions in the event of adverse circumstances.
Budget Monitoring	A management control to ensure that expenditure and income is well controlled. This may also consider Commitment Accounting.
WIP Monitoring	Management of work in progress will be key for some businesses of CS going forward to improve and maintain cashflow.
Value for Money review of Business Development	As CS moves into more commercial activities and supplies new customers, there will be a greater need for business development and sales functions. This review will look to assure management that the targets achieved can be validated and an acceptable

	return on investment is achieved.
Due Diligence Process	If CS look to acquire businesses to achieve growth, a comprehensive due diligence process will need to be introduced and complied with.
BACS Payments	CS will be entering a new BACS contract from 1st April 2013. This review will ensure that appropriate controls have been introduced and operational.
Overtime	A review to ensure that resources are being used effectively and payments made are bona fide and appropriate to ensure that costs are controlled.
Expenses	To ensure that only bona fide and business critical out of pocket expenses are incurred and claimed. This review will also cover any business or procurement cards used.