

By: Roger Gough – Member for Corporate Support Services  
and Performance Management  
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To: Governance and Audit Committee – 1 December 2009  
Subject: INTERNAL AUDIT PROGRESS REPORT  
Classification: Unrestricted

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**Summary:** This report summarises the outcomes of Internal Audit activity.

## **FOR INFORMATION AND DECISION**

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### **Introduction**

1. This report summarises the progress against the 2009/10 internal audit programme, provides the results from reviews that we have completed in the period since the last report to the Governance and Audit Committee, and reports the achievement against Internal Audit's Key Performance Indicators.

### **Overview of Progress**

2. This report contains the outcome of Internal Audit's work completed during August, September and October 2009 and audits started, or at draft report stage up to 31 October 2009. During this period 12 audits were completed, 11 draft reports were issued, and 11 audits started.
3. Annex A provides an update on the residual work from the 2008/09 audit programme. Of the seven reviews listed, six have been completed since the last progress report. The remaining review is at draft report stage and will be finalised by the end of quarter three. Detailed progress against the planned audits for 2009/10 is listed at annex B, and a summary of each of the 11 audits completed in the period is at annex C.
4. The audit programme is progressing well in line with the timetable agreed by the Governance and Audit Committee in March 2009. There have been some necessary and routine adjustments to the timing of individual audits, but it is anticipated that 95% of the plan (in line with our target), will be finalised by March 2010.
5. Due to operational requirements there have been amendments made to the content of the internal audit programme for 2009/10. These are detailed at annex D, and show a small overall increase in the level of work to be completed. The changes made have all been agreed by the Head of Audit & Risk and the Senior Audit Manager, and do not represent any compromise on the independent position of Internal Audit, and still provide the required level of assurance in relation to risks identified.

6. Other information included in this report is:

- Directorates' progress against the implementation of recommendations made and agreed which were due to be actioned by October 2009 (annex E)
- A summary of the advisory and other work of Internal Audit (annex G)
- A detailed breakdown of Internal Audit Performance Indicators (annex H).

### **Irregularities**

7. Since the end of August 2009 three cases of suspected irregularity have been reported, each involving either KCC finances or business processes. These are currently under investigation. Two investigations have been concluded during the period which are summarised at annex F.

### **Implications for Governance**

8. No significant control weaknesses have been identified from the audits completed or the irregularities investigated in the current financial year. All audits are allocated an assurance level which are defined in annex I. Of the 11 audits completed in the current reporting period, none were given the lowest category of assurance (minimal) which could indicate a significant risk for the Council.

### **Recommendation**

9. Members are asked to:

- Consider the report and comment on the
  - progress to date against the 2009/10 audit programme, and
  - changes to the audit programme.
- Consider and comment on the implications for governance as a result of the outcome of the internal audit programme completed to date.

**David Tonks**

**Head of Audit & Risk**

Ext: 4614

16 November 2009

Progress against 2008-9 Audit Plan

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
AW01 2009	Corporate Governance	<p>Work to include high level review of corporate governance arrangements against best practice and will also consider adequacy of processes underpinning Governance Statement.</p> <p>The review will consider a sample of directorates' progress against their actions stated in the Annual Governance Statements.</p>	Q4	6 Mar 09	21 July 2009	25 Aug 2009	High	
AW02 2009	Risk Management	<p>Work to build on the high level review undertaken in 2007/2008 to focus on the adequacy of corporate risk management arrangements and the linkages between; Business planning, Performance appraisal, Budgeting processes.</p>	Q4	16 Mar 09	6 Aug 09	10 Sep 2009	Substantial	
AW04 2009	Contract monitoring and tendering process	<p>Review of tendering procedures and contract monitoring. Scope to include, processes for tender evaluation and selection of suppliers, review of processes to manage key contracts, quality assurance of suppliers processes. The individual contracts that are reviewed will include Building Schools for the Future (BSF)</p>	Q2/3	Apr 09	10 July 09			<p>A meeting was held with the directorate to discuss their responses to the draft report. The directorate has provided some further information and a second report will be drafted.</p>
AW08 2009	ICT Procurements (originally Third party ICT Provision – Procurement)	<p>Review the contractual arrangements for the provision of ICT services by third parties to business-critical computer systems. Sample to be agreed with management prior to audit.</p>	Q3	16 Mar 2009	18 Sep 2009	16 Oct 2009	Substantial	

**Progress against 2008-9 Audit Plan**

**Annex A**

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
S08(b) 2009	Payroll Amendments	Substantive "Cradle to Grave" approach, following through samples of payments for example, permanent and temporary changes to pay.	Q4	1 Dec 2008	7 Aug 2009	24 Aug 2009	High	
KASS01 2009	Capital Projects	Post implementation review of a capital project.	Q4	12 Jan 2009	1 Oct 2009	9 Nov 2009	N/A	
ER08 2009	Local transport plan	Examine system and process for prioritising KCC transport schemes.	Q4	6 April 2009	3 Aug 2009	6 Oct 2009	High	

**Progress Against 2009-10 Audit Plan  
Quarters 1,2 and 3**

**Annex B**

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
AW03 2010	Governance of Partnerships	Follow up of prior year audit; and to provide assurance on the adequacy of processes to ensure that objectives of partnerships are achieved and that expected outcomes can be demonstrated.	Q2					Start delayed until Q3
AW04 2010	Pro-active Fraud work - Contracts	Review procurement practices in a sample of areas to provide assurance that potential of fraud is minimised.	Q1					This will be on going throughout the year
<b>AW07 2010</b>	<b>Premises Security</b>	<b>A review of premises security including the processes in place for decommissioning premises.</b>	<b>Q1</b>	<b>12 May 2009</b>	<b>10 July 2009</b>	<b>16 Sep 2009</b>	<b>Substantial</b>	
AW10 2010	Use of databases and spreadsheets	A review of the use of databases and spreadsheets which hold sensitive data separately from the core systems	Q2					Start delayed until Q3
AW11 2010	Business Continuity Planning	Follow up to work carried out in 2008/09 to review progress being made	Q2					Start delayed until Q3/4
<b>S01</b>	<b>Year End Accounts Closedown</b>	<b>Assurance that income and expenditure are accounted of in the correct financial year.</b>	<b>Q1</b>	<b>7 Apr 2009</b>	<b>15 May 09</b>	<b>11 June 2009</b>	<b>Substantial</b>	<b>Completed</b>
S03	General Ledger	Testing of the adequacy of input controls including feeder system interfaces into the General ledger and reconciliation of control and expense accounts.	Q4	9 Oct 2009				
S04	Imprest Accounts	A review of imprest accounts in the Authority to assess whether they are operated within approved limits and identify any accounts surplus to requirements.	Q1	29 June 2009				Report being drafted. The scope of the original audit was expanded to include a review of the transactions of the accounts.
S05	Accounts Payable	Review of Accounts Payable system and processes	Q2	17 Aug 2009				

**Progress Against 2009-10 Audit Plan  
Quarters 1,2 and 3**

**Annex B**

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
S07	Treasury Management	A review of treasury management arrangements	Q1					This audit will take place in Q3/4 to allow officers to embed changes made recently in the staffing roles & responsibilities.
<b>S10</b>	<b>Pension Contributions</b>	<b>A review of the system for transfers in and transfers out of the Local Government Pension Scheme</b>	<b>Q2</b>	<b>18 Aug 2009</b>	<b>13 Oct 2009</b>	<b>22 Oct 2009</b>	<b>High</b>	
<b>S13</b>	<b>Management Review</b>	<b>To provide assistance at year end for the 'close down'.</b>	<b>Q1</b>	<b>8 May 2009</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>Completed</b>
S14	Overtime Payments	Final follow up to overtime payments audit to review the implementation of key changes, including how working time directives are managed	Q3	12 Oct 09				Report being drafted
<b>CED01</b>	<b>Income – Legal Department</b>	<b>Provide assurance that all income due is completely recorded, invoiced and collected in a timely manner.</b>	<b>Q1</b>	<b>15 June 2009</b>	<b>25 Sep 2009</b>	<b>6 Nov 2009</b>	<b>Limited</b>	
CED02	Routewise	Provide assurance on accuracy and validity of payments made via Routewise	Q2					Audit to be incorporated into CFE04 SEN Transport– see below.
<b>CED03</b>	<b>Property Management System Security</b>	<b>Property management application security controls, including users' access rights, web access and segregations of duties.</b>	<b>Q1</b>	<b>16 July 2009</b>	<b>18 Sep 2009</b>	<b>22 Oct 2009</b>	<b>Substantial</b>	
CED05	Staffcare Services	A review to provide assurance that payments for Staffcare Services are made only for reasonable/appropriate services received by KCC staff; which are adequately evidenced and payments are appropriately authorised.	Q3	21 Oct 2009				

**Progress Against 2009-10 Audit Plan  
Quarters 1,2 and 3**

**Annex B**

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
<b>CED07</b>	<b>Axis Pensions System</b>	<b>A review of application controls, security and management of the operation of the Axis Pensions system.</b>	<b>Q1</b>	<b>3 Aug 2009</b>	<b>18 Aug 2009</b>	<b>25 Aug 2009</b>	<b>Substantial</b>	
CFE01	Data Quality	An audit to assess controls the Directorate rely upon to ensure the accuracy of the information used to complete DCSF statutory returns.	Q1	19 Aug 2009				Report being drafted
CFE04	SEN Transport	A review of the Special Education Needs (SEN) transport provision to confirm the arrangements meet pupil needs whilst achieving VFM (use of taxis) and effectiveness use of finances. The audit will incorporate CED08 Routewise – the system used to manage SEN transport and will include the accuracy and validity of payments.	Q3	12 Oct 09				
CFE08	ContactPoint	A review of the IT security controls and arrangements in place for training, granting access and monitoring.	N/A					Ongoing advice and information provided on the implementation of the ContactPoint system.
CFE12 2010	Asylum Imprest Account	A follow up to the work undertaken in 2008/09 to confirm that the imprest account is managed and accounted for correctly	Q1/2	12 Oct 2009				Start of audit delayed at request of directorate.
CFE12	Children's Centre Resource system	Review of project management or review of the design of the application controls within the system.	Q3/4	6 May 2009				Ongoing – providing pro active input to the project
CMY03	Business and Project Risk Identification	An assessment of the processes that enable the Directorate to identify and respond to key risks.	Q1					This audit is no longer going ahead

**Progress Against 2009-10 Audit Plan  
Quarters 1,2 and 3**

**Annex B**

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
CMY05	Coroners' Imprest Accounts	A follow up audit to review the progress of the implementation of recommendations made.	Q2	10 Aug 09	7 Sep 2009	6 Oct 2009	Limited	
CMY08 (a)	Key Training	A review of the processes for forecasting and managing the budget. Part (b) will review the effectiveness of action plans to address the budget deficit.	Q2	9 July 09	24 Aug 2009	27 Aug 2009	N/A	A second review will take place to evaluate progress against the action plan that has been put in place to recover the deficit.
CMY09	Apprenticeship Scheme	Examination of costings by Key Training for delivering the Apprenticeship Scheme		16 Sept 2009	23 Oct 2009			
KASS01	CRB - Volunteers	Follow up audit of controls relating to CRB checks on volunteers used in KASS	Q1	10 June 09	5 Oct 09			
KASS03	Direct Payments	Evaluation of the effectiveness of the operation of Direct Payments	Q2	7 Sept 2009				Ongoing
KASS09	Swift – Client Billing	Post implementation review	Q1	6 May 09	20 Aug 2009			Awaiting Directorates response
ER01	Kent Highways Service	Evaluation of costings	Q1	9 Nov 2009				ToR issued work has commenced
ER02	Kent Thameside Regeneration	Review of how the engagement strategy is being applied in practice for the Kent Thameside Regeneration project.	Q2	1 Sep 2009				
ER03	Ashford Regeneration	Review of how the engagement strategy is being applied in practice for the Ashford Regeneration project. This audit will be carried out in collaboration	Q2					This audit will now commence in Q4.

**Progress Against 2009-10 Audit Plan  
Quarters 1,2 and 3**

**Annex B**

Ref	Audit	Description	Planned Start	Audit commenced	Draft Report issued	Final Report Issued	Audit Assurance	Comments
		with Ashford BC						
ER07	Allington Incinerator	To provide assurance on the effectiveness of the systems to support the operation of the waste to energy plant.	Q3	26 Oct 2009				

**Audits highlighted in bold indicate completed audits**

### **AW01 (2009) – Corporate Governance**

#### **Scope**

This audit reviewed the following areas:-

- The functioning of the Policy Overview and Cabinet Scrutiny Committees
- The role of the Monitoring Officer
- A sample of the action plans for improvements in key controls as identified in the directorates' Annual Governance Statements (AGS).

#### **Overall Assurance - High**

KCC has adopted a multi committee model of overview and scrutiny and has four Policy Overview Committees (POCs) representing the four directorates; a Health Overview Committee and a Policy Overview Co-ordinating Committee as well as a separate Cabinet Scrutiny Committee. We found that the Overview and Scrutiny function complies with the main requirements of the Local Government Act (2000) and the Department for Communities and Local Government (DCLG) guidance, and works effectively to discharge its role. We reviewed the POCs for KASS and E&R directorates. We found that proceedings of the committees are compliant with DCLG guidance and that they play an important role in influencing policy decisions and reviewing performance of the directorates.

The Constitution has designated the Director of Law & Governance as the Monitoring Officer for the Council. We found that the Monitoring Officer discharges his responsibility through the organisational structure and processes he has in place in his department. The staff in Legal Services routinely provide advice

on legality issues and highlight any areas of concern directly to the business units concerned as well as escalate them to the Monitoring Officer if required.

The directorate managing directors and the CED unit heads are required to prepare and Annual Governance Statement (AGS) in relation of their areas which then informs the overall AGS of the Council. We found that there were not always specific action plans for the areas identified in the AGSs, however, these areas were monitored by senior management of the directorates/units as part of their performance monitoring and risk management. There were no recommendations made for this audit.

### **AW02 (2009) – Risk Management**

#### **Scope**

The objective of the audit was to review progress against recommendations made and agreed in the Risk Management audit completed in 2008.

#### **Overall Assurance – Substantial**

The audit found that there are a number of processes within the Council that help to identify and monitor risks which might prevent the unit, service or directorate from achieving its objectives. These include:-

- Business Planning and Business Performance Monitoring;
- Budget setting and financial reporting;
- Performance appraisals;
- Audits and inspections;
- Risk registers including a strategic risk register which is reviewed by the Chief Officer's Group and Cabinet.

A number of developments have also taken place during the year which have helped to further strengthen the risk management process including the establishment of a Risk Management Group, with representation from risk management leads across the Authority. The group has been set up to help develop the integration of risk management within business planning and performance. Other improvements are:

- Risk workshops and training – Workshops have been held for staff and Members. The aim of the workshops was to provide practical guidance about applying KCC's approach to business risk management in day to day activities. The Corporate Risk and Insurance Manager has developed a revised Risk Management Toolkit to assist staff.
- Risk Registers at service levels – All directorates now identify risks at both directorate and service unit level. Where there are not separate risk registers for service unit level risks these are included in their service plans. Risk registers are 'refreshed' twice a year and are reported to the respective Policy Overview Committees, the Chief Officer Group and the Governance and Audit Committee annually.
- A definition has been agreed for significant contractors, which will include partnerships. This will enable directorates to ensure that there is a business continuity plan in place. The Corporate Risk Register has also been amended to include key partnership risks.

One recommendation has been made which has been accepted by management.

#### **AW07 – Premises Security (Communities Directorate)**

##### **Scope**

KCC has a portfolio of over 1,400 establishments representing the diversity of the services offered by the Authority. The objective of the audit was to review security arrangements in a sample of establishments to ensure that premises, equipment and information are protected against unauthorised access and theft, and that staff are protected. Premises security will be carried out on a cyclical basis across the Authority.

##### **Overall Assurance - Substantial**

As part of the audit, 10 Communities establishments were visited. Although discussions with staff with responsibility for security demonstrated that they were aware of the security issues in relation to their premises, and had given full consideration to possible security risks, they had not received formal security training and there were no formal risk assessments or incident action plans. Therefore the mitigation of security risks lies with individual members of staff rather than any defined system. There was no central contact point for advice on security issues or methods of recording security incidents; which although rare, varied between premises.

The majority of premises visited as part of the audit were buildings that had public access. Access was restricted to non-public areas and visitor books were in place for non-public visitors for example, contractors. Although the audit concentrated on the Communities Directorate, several of the emerging issues apply across the whole Authority and this is reflected in the recommendations.

## ICT Procurement

### Scope

To review the processes in place for the procurement of ICT equipment and services across the Authority.

### Overall Assurance – Substantial

A framework of controls is in place for the procurement of ICT systems and services across the Authority, with a number of sources of guidance and advice available to those involved in the procurement process. The following controls were identified:

- General procurement guidance (non-ICT specific) and a ICT Tendering Toolkit is available to Directorates
- An experience team is in place within ISG to provide further guidance and counsel during the procurement process
- A number of best practice guidelines have been adopted by ISG, such as those issued by OGC Buying Solutions
- Lunchtime information sessions have been held to raise awareness of staff of general procurement policies and procedures.

However, the following opportunities for greater co-ordination / cooperation across the Authority were identified:

- The discussion of ICT procurement activities underway within Directorates on an Authority-wide basis to share experience and to identify opportunities for joint procurement activity
- The issuance of formal guidance on ICT procurement (category management)

- The continuation of the risk assessment process for critical ICT service providers, during the current period of economic uncertainty
- The provision of ICT procurement (category management) training and awareness sessions for staff involved in such activity, to enable knowledge and experience to be shared more effectively.

Three recommendations have been made which have been accepted by management.

## CED01 Legal Services – Income

### Scope

The objective of the audit was to review the process in place to ensure that all income due is identified, that charges are correct, invoices are raised promptly and accurately, income is banked completely and promptly and debts are recovered.

### Overall Assurance - Limited

Legal Services income for 2008/09 was over £6m, the majority of which was for legal services provided to internal clients (£4,726,000), with £1,365,500 received from external clients.

We found that charges for work carried out are costed, reviewed approved and communicated to clients annually. There are guidelines for recording chargeable time spent on cases. Charges for work carried out for internal clients is recovered each month via journal transfers and for external clients invoices are raised each month for legal costs incurred.

There is however, a lack of control over the identification, recovery and monitoring of costs due from third parties. There is no formal invoicing process in place, and we found examples where client's invoices comprised an email/letter by the 'fee earner'. This means that debts are not identified resulting in an increased risk that debts may not be recovered. We also found examples where the 'fee earner' had sent emails requesting payment and had received the cheque, giving rise to a lack of segregation of duties.

We also found examples where further legal work had been carried out after the conclusion of cases (for example enquiries, correspondence and clerical duties) which were not always charged, resulting in a potential loss of income.

Five recommendations have been made which have been accepted by management.

### **CED03 – Property Management System – Security Review**

#### **Scope**

To review the Enterprise system application controls, focussing on users' access rights and segregations of duties.

#### **Overall Assurance – Substantial**

The Enterprise application is the asset management application used to enable the management of the KCC estate, and is supplied by a third party, Tribal. KCC's Enterprise database also holds individual data for schools on:

- Condition surveys and maintenance requirements

- Suitability assessments
- Sufficiency (capacity) assessments and admission numbers
- Documents including premises development plans and condition survey summaries.

The audit found that processes are in place for the identification of risks to the Enterprise system, the administration of users, segregation of user access and to mitigate the risk of unauthorised access. However, these should be further enhanced through

- The completion of an Enterprise system specific risk register
- Formally documenting the user administration processes that are in place
- Further hardening of the system password controls

Developing a segregation of duties matrix to support the system administration team when the system becomes interfaced with Oracle.

Four recommendations have been made which have been accepted by management.

### CED07 AXISE Pensions System – System Security Review

#### Scope

To review AXISE system application security controls, focussing on users' access rights and segregations of duties.

#### Overall Assurance – Substantial

The AXISE application is a national system provided by Heywood, who provide the AXISE pension software to 87 of the 90 administering local authorities. The application is provided under the CLASS Group (a consortium of Local authorities) and as part of this agreement the system is administered at a local level by is developed and supported nationally. The following AXISE systems modules have been implemented:

- AXISE Administrator - Administration platform
- AXISE Task manager – Workflow management
- AXISE Image – Document imaging
- AXISE Payroll and Pensions

The audit found there was a robust control framework in place to identify risks to the AXISE system, administer users, restricting access and segregating duties. However, these should be further enhanced through:

- Assigned owners to each risk capture by the AXISE system risk register
- Reducing the level of access granted to some users by amending user access roles in consultation with Heywood

- Documenting the existing process for the review of the audit logs used to monitor user activity

### S08(b) – Payroll – permanent and temporary changes to pay

#### Scope

A review of the processes and controls in place when permanent or temporary changes to employees pay are required.

#### Overall Assurance – High

During the audit, we checked a sample of amendments to employees pay, all of which had been appropriately authorised and input to the Oracle HR system. We also checked that the budget holders at the individual business units had checked their Oracle salary reports to ensure that the amendments were correct. We examined a sample of temporary amendments including changes to employees pay for 'acting up' (usually into a higher paid post), to ensure that salaries had been paid at the correct rate and that they salaries had reverted to reflect the employees' substantive post at the end of the acting up period or that the contract had been extended. We confirmed that amendments had been made correctly and had been appropriately authorised.

One recommendation has been made in respect of the recording of sickness absences, which has been accepted by management.

**S10 – Pensions – transfers in, transfers out and retirement processes**

**Scope**

The audit reviewed the processes in place for transferring benefits from other pension schemes into the Kent Local Government Pension Scheme (LGPS); and for members of the scheme transferring accrued benefits to other schemes.

**Overall Assurance - High**

Staff in the Pensions Section are kept well informed of any changes in legislation by the Local Government Offices. Information is disseminated via emails and/or training sessions.

As part of the audit we reviewed a sample of 15 requests to 'transfer in', to ensure that the transfers had occurred within the appropriate deadline (i.e. within twelve months of joining KCC). Two had subsequently decided not to transfer their benefits, and one transfer was 16 days outside of the deadline. However, this delay was because of the previous employer not submitting the relevant documentation in time.

Members can transfer accrued benefits if they leave the scheme provided it is at least one year before they reach the age of 65. We confirmed that no transfers out had taken place to different pension provider after the employee had reached 64.

Calculations for transfers and retirement grants are completed electronically via the AXIS Pension System. AXIS is maintained by an external provider (Heywood) who ensures that the calculation process is accurate and up to date. We reviewed the

testing results sheets for both the live and test system for August and September 2009 and confirmed that the system was updated correctly and had been tested to ensure it was working properly.

One recommendation has been made which has been accepted by management.

**CMY05 – Follow Up - Coroners' Imprest Accounts**

**Scope**

The scope of the audit was to review the progress of the implementation of the recommendations made in the 2008/09 audit.

**Overall Assurance – Limited**

Following the original audit, eight recommendations were made to improve controls. Four of those had been implemented, but four are outstanding. A Finance Project Officer closely monitors all expenditure through the accounts and she has visited the coroners (except one, who was not available at the time) to advise on the operation of the accounts. Although all of the previous recommendations had not been implemented, the involvement of the Finance Project Officer has acted as a 'compensatory' control and therefore the operation of the accounts has improved since the previous audit.

Whilst we found that controls regarding the payments through the accounts had improved, our testing showed that only one of the four accounts had been reconciled during the 2009/10 financial year, and reimbursements were not occurring on a regular basis and at the time of the audit two of the accounts were overdrawn.

There increases the risk that unauthorised or incorrect payments may not be identified.

Five recommendations (four from the previous audit) have been made and accepted by management.

#### ER08 – Local Transport Plan (LTP)

##### Scope

The objective of the audit was to review the process for prioritising local transport schemes which will form part of the Local Transport Plan.

##### Overall Assurance – High

The audit found high levels of control with regards to identification of and input from stakeholders into the Local Transport Plan (LTP). The Authority's experience of engaging stakeholders with other strategies and partnerships has enabled it to maximise input to the consultation process. KCC established an external stakeholder's panel which included representatives from partners and the community to shape the development of the plan. KCC also identified 'hard to reach' groups and set up focus groups across the county to ensure their views were represented.

In accordance with guidance set by the Department for Transport, the Authority set out mandatory targets clearly linked to outcomes. These targets are monitored by officers who ensure that there are links to the LTP and wider objectives. LTP funding is limited and therefore a prioritisation scheme is required in order to assist with the resource allocation process. To ensure that schemes developed are contributing towards achieving the LTP objectives, the Prioritisation Investment Programmes on the Kent

Integrated Network (PIPKN) was created. This allowed officers to assess individual schemes against the LTP targets and objectives, as a score is applied to each scheme which corresponds to how well the scheme achieved the various LTP targets. Each scheme was ranked in accordance with its score. The ranked schemes were then reviewed further and investigations were made into the feasibility of the schemes and costs.

One recommendation has been made which has been accepted by management.

**Amendments to the 2009/10 Audit Programme**

**Annex D**

The following table details the amendments to the 2009/10 audit plan and shows audits that will no longer go ahead and new audits or pieces of work, together with the deleted and additional days.

Ref	Planned Audit	Comments	Impact (Days)
CED06 2010 Commercial Services	Cheque Payments	Originally a management request, however, only a few payments processed by cheque, therefore audit will no longer go ahead.	-20
CED08 2010	Routewise	This audit will be incorporated into the audit of SEN Transport (CFE04)	-20
CFE02 2010	Post 16 Education	The timescale for the streamlining of funding and commissioning for post 16 education has been delayed by the Department for Children, Schools and Families (DCSF)	-30
CFE09 2010	ContactPoint	This audit has been incorporated into CFE08 2010 which was a review of IT controls	-25
CFE11 2010	ICS Capita One	The audit was to review interface/application controls for a Foster Payment system, but the system is not being implemented.	-20
CMY03	Business and Project risk Identification	Originally a management request, but assurance was provided as part of the Risk Management audit.	-25
CMY01	Adult Education Budget Management	Directorate in the process of reviewing budget reporting arrangements, substituted audit of Key Training.	-20
KASS02	Transaction Data Matching	The directorate are in the process of introducing a number of changes to the process and this audit has been deferred until 2010/11.	-30
ER04 20101	Manston Development	Work was carried out in 2008/09 on governance arrangements. There has been no further developments and this audit has therefore, been deferred.	-25
<b>Total days removed from plan</b>			<b>215</b>

**Amendments to the 2009/10 Audit Programme**

**Annex D**

Ref	Planned Audit	Comments	Impact (Days)
S04 2010	Imprest Accounts	Additional scope for this audit. A review of six months' returns for 115 imprest accounts, to identify the use of accounts, type of expenditure.	45
CMY08 (a)	Key Training	A review to identify the processes and controls for forecasting and managing the budget (phase 1).	15
CMY08 (b)	Key Training	To evaluate progress against the action plan that has been put in place to recover the 2008/09 deficit.	15
CMY09	Apprenticeship Scheme	Evaluations of the costings by Key Training for delivering the Apprenticeship Scheme (management request)	15
E&R	KHS	Advisory work.	25
CFE	School	Follow up audit to review financial controls at a school	10
CFE	Pupil Referral Unit	A management request – reviewing purchasing arrangements	5
CFE04	SEN Transport	This audit will now incorporate the Routewise audit (CED08)	15
CFE	Schools	A management request to review the use of purchase cards at a selection of schools.	10
KASS	Residential Homes	A review of data and payments for residential care home.	30
CED	Overtime Payments	2 <sup>nd</sup> follow up to review completed action, including compliance with Kent Scheme of Overtime and local agreement and working time directives.	8
NFI	Data Matching	Additional time spent following up and investigating matches	20
AW	Financial Controls Matrices	Development of matrices identifying risks and controls in financial systems.	25
<b>Total days added to plan</b>			<b>238</b>
<b>Total change in audit plan</b>			<b>23</b>

**Directorates Progress with the Implementation of Audit Recommendations  
(Covers August, September and October 2009)**

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The tables on the following pages provide information on the directorates' progress with the implementation of agreed recommendations. All of the findings that the recommendations relate to are given a risk rating of either; Critical, High, or Medium. All of the recommendations that had a 'critical' rating have been implemented.

Table 1 – This details the recommendations that were due to be actioned between August and October 2009. 53 'actions' were due to be in place by the end of October; 45 have been implemented and five actions are outstanding; revised dates for implementing the outstanding recommendations have been provided.

Table 2 – This details the cumulative total of recommendations that were due to be implemented between April and October 2009. In total 73 recommendations were due to be implemented of which 63 have been implemented and 10 are outstanding. Revised dates have been provided for implementing these. Of the 10 outstanding actions, five are included in table 1.

Table 3 – This provides information of the cumulative progress of the implementation of recommendations from 2008/09. In total 99 recommendations were due to be implemented, of which 84 have been implemented and 15 are outstanding. New dates have been provided by accountable managers and Internal Audit continues to monitor their progress.

All recommendations from 2007/08 have been implemented.

**Directorates Progress with the Implementation of Audit Recommendations  
(Covers August, September and October 2009)**

Table 1

Directorate	Total actions due to be in place by end of October 2009	Actions in place	Priority of outstanding actions as at 31 October 2009			Comments on recommendations		
			C	H	M	Audit		To be completed by
<b>Authority wide and S151</b>	3	0			3	Schemes of Delegation	Recommendations have not yet been implemented in Communities and E&R	January 2010
	1	1				Accounts Receivable	All recommendations on this audit have been completed	
	1	1				Access to Information	All recommendations on this audit have been completed	
	1	1				Payroll – other allowances	All recommendations on this audit have been completed	
	1	1				Pension Contributions	All recommendations on this audit have been completed	
<b>Chief Executive's Department</b>	3	3				Axis Pensions System	All recommendations on this audit have been completed	
	1	1				Purchase cards	All recommendations on this audit have been completed	
<b>Children, Families &amp; Education</b>	1	1				School Funding	All recommendations on this audit have been completed	
<b>Kent Adult Social Services</b>	5	5				Compliance with Adult Protection Procedures – West Kent	All recommendations on this audit have been completed	

**Directorates Progress with the Implementation of Audit Recommendations  
(Covers August, September and October 2009)**

Directorate	Total actions due to be in place by end of October 2009	Actions in place	Priority of outstanding actions as at 31 October 2009			Comments on recommendations		
			C	H	M	Audit		To be completed by
	6	6				Compliance with Adult Protection Procedures – East Kent	All recommendations on this audit have been completed	
	2	2				Financial Assessments	All recommendations on this audit have been completed	
	5	5				Occupational Therapy Bureau Equipment	All recommendations on this audit have been completed	
	1	0		1		LD Transfer	The S256 agreement is not yet in place and is currently being redrafted and considered	December 2009
<b>Environment, Highways and Waste</b>	2	2				Securing Adequate Funding	All recommendations on this audit have been completed	
	1	1				Landfill Trading Allowance Scheme	All recommendations on this audit have been completed	
	3	1			2	Housing Waste Recycling Contracts	ISG is working to improve the Performance Management System to enable contract supervisors to record contractor actions against issues raised during inspection. The Key Performance Indicator (KPI) obligations in the Housing Waste Recycling Contract are still to be reviewed.	April 2010
	5	5				Housing Development Loans	All recommendations on this audit have been completed	

**Directorates Progress with the Implementation of Audit Recommendations  
(Covers August, September and October 2009)**

Directorate	Total actions due to be in place by end of October 2009	Actions in place	Priority of outstanding actions as at 31 October 2009			Comments on recommendations		
			C	H	M	Audit		To be completed by
<b>Communities</b>	5	5				Internet Access by the Public – Adult Education	All recommendations on this audit have been completed	
	1	1				Internet Access by the Public – Libraries	All recommendations on this audit have been completed	
	5	3		2		Internet Access by the Public – KEY Training	KEY Training is currently in the process of implementing website filtering and internet activity monitoring logs.	December 2009
<b>TOTAL</b>	<b>53</b>	<b>45</b>		<b>3</b>	<b>5</b>			

C= Critical

H = High

M = Medium

**Cumulative Progress with the Implementation of Audit Recommendations  
(April to October 2009)**

**Annex E**

Table 2

Directorate	Number of recommendations due to be implemented April 2009 – October 2009			Number of recommendations implemented			Number of recommendations still outstanding		
	Critical	High	Medium	Critical	High	Medium	Critical	High	Medium
Chief Executive's Department		2	2		2	2			
Kent Adult Social Services	13	5	9	13	4	4		1	5
Communities	1	13	5	1	11	3		2	2
Environment, Highways & Waste	1	1	8	1	1	6			4
Children, Families & Education		3	1		3	1			
Authority Wide & S151		3	6		2	3		1	3
<b>Totals</b>	<b>15</b>	<b>27</b>	<b>31</b>	<b>15</b>	<b>23</b>	<b>19</b>	<b>0</b>	<b>4</b>	<b>14</b>

**Progress with recommendations due to be implemented  
between April 2008 and March 2009**

**Annex E**

Table 3:

<b>Directorate</b>	<b>Actions due to be implemented</b>	<b>Actions in place</b>	<b>Actions still outstanding</b>	<b>Date actions will now be implemented</b>	<b>Audit title</b>
Chief Executive's Department	14	11	2	December 2009	Microsoft Exchange
			1	November 2009	Payroll – Appointment to Payment of new employees
Kent Adult Social Services	23	21	2	Work in progress	SWIFT System Review
Communities	7	5	2	December 2009	Health and Safety – direction of travel
Environment & Regeneration	6	6	0	October 2009	Landfill Allowance Trading Scheme
Children, Families and Education	22	22	0	August 2009	School Funding
Authority Wide and S151	27	18	3	August 2009	Schemes of Delegation
		1	0	October 2009	Purchase cards
			2	Partially completed – ongoing	Property Rent Income
			1	March 2010	Data Protection
			1	December 2009	Governance of Partnerships
			1	Partially completed and ongoing	Accounts Payable
<b>TOTAL</b>	99	84	15		

Ref	Directorate	Details of Irregularities	Value if applicable	Details and Outcome
xx785	KASS	Allegation of copying and selling DVDs	No loss to KCC	<ul style="list-style-type: none"> <li>• An anonymous allegation was received by Trading Standards from the Federation Against Software Theft (FAST) claiming that a KCC member of staff had been illegally copying DVDs.</li> <li>• The member of staff admitted this but claimed not to know that it was illegal.</li> <li>• The member of staff was given a management warning. A senior officer from Trading Standards also met with the member of staff to explain the seriousness of their actions and to give an informal warning.</li> </ul>
xx786	CED	Overpayment of pension	£16,000	<ul style="list-style-type: none"> <li>▪ The National Fraud Initiative (NFI) exercise identified pension payments being made to a deceased pensioner.</li> <li>▪ An investigation by the Pensions Section revealed that the pensioner's daughter who had a joint bank account with her mother, had forged her mother's signature on a Life Certificate form and got her neighbour to witness it.</li> <li>▪ The case was passed to the police and taken to court. The person pleaded guilty and the court ordered her to pay £5,000 in compensation.</li> </ul>

## National Fraud Initiative

Collation and submission of data sets to the Audit Commission as part of the National Fraud Initiative (NFI) has been completed and reports of potential matches (i.e. matches with other data sets) have been received. The following KCC data sets were used: Pensions; Payroll; Creditors; Blue Badges; Visas; Residential Homes, and; Insurance Claims

From these data sets, a number of 'matches' were made, including details of deceased persons to people receiving pensions, deceased persons with Blue Badge; duplicate payments to creditors, people working with expired visas etc. Matches were prioritised and investigated either by Internal Audit or the relevant business unit. One fraud was identified involving a person receiving their deceased parent's pension (this is reported at appendix F). Some data quality issues were identified and Internal Audit provided advice on improving controls. Although there has only been one fraud identified, as part of this year's National Fraud Initiative, the exercise has provided assurance that processes and controls are working well to identify errors and prevent fraud.

Internal Audit also facilitates data match enquiries from other local authorities. In addition, we have collated and submitted data for the Kent fire and Rescue Service.

## Advisory Work

The Internal Audit team is involved in a range of advisory work across the Authority, including:

- Attendance at various working groups/forums, including, Procurement Forum; ICT Operations Board, Client Billing Group, Self Directed Support, Oracle R12.
- Development of matrices for financial systems, identifying risks and controls.

## Irregularities

The Internal audit team investigate a number of irregularities each year. These are either identified through our audit programme, or are reported to us. In addition to the two cases reported at annex F, we are currently investigating three other cases. When completed, these will be reported to the Governance and Audit Committee.

## Audit work for external clients

Audit work completed on behalf of external customers includes:

- Grant claims
- Parishes
- Kent Fire and Rescue Service
- Review of financial forecasting techniques for the Kent Police Authority

## Pro-active fraud work

- Newsletter – The newsletter now includes risk and insurance issues and will be published quarterly from December 2009.
- NFI data matching – see above.

The following table is designed to provide Members with Internal Audit's performance against Key Performance Indicators.

<b>Performance Indicator</b>	<b>Target</b>	<b>Actual (Apr – October)</b>
<p><b><u>Effectiveness</u></b></p> <ul style="list-style-type: none"> <li>• % of recommendations accepted</li> <li>• % of recommendations implemented</li> <li>• CPA/CAA Score for Internal Control</li> </ul>	<p>98%</p> <p>90%</p> <p>Level 4</p>	<p>99%</p> <p>64%</p> <p>3*</p>
<p><b><u>Efficiency</u></b></p> <ul style="list-style-type: none"> <li>• % of plan delivered –</li> <li>• % of available time spent on direct audit work</li> <li>• % of draft reports completed within 10 days of finishing fieldwork</li> <li>• Preparation of annual audit plan</li> <li>• Periodic reports on progress</li>   <li>• Preparation of annual report and Annual Governance Statement</li> </ul>	<p>95%</p> <p>80%</p> <p>80%</p> <p>By March</p> <p>G&amp;AC meetings</p> <p>By May</p>	<p>40%</p> <p>89%</p> <p>79%</p> <p>March</p> <p>G&amp;AC</p> <p>meetings</p> <p>May</p>
<p><b><u>Quality of Service</u></b></p> <ul style="list-style-type: none"> <li>• Average Client Satisfaction Score –</li> </ul>	<p>70%</p>	<p>90%</p>

All of the above to be updated

\* Percentage of plan delivered as at 31 October 2009

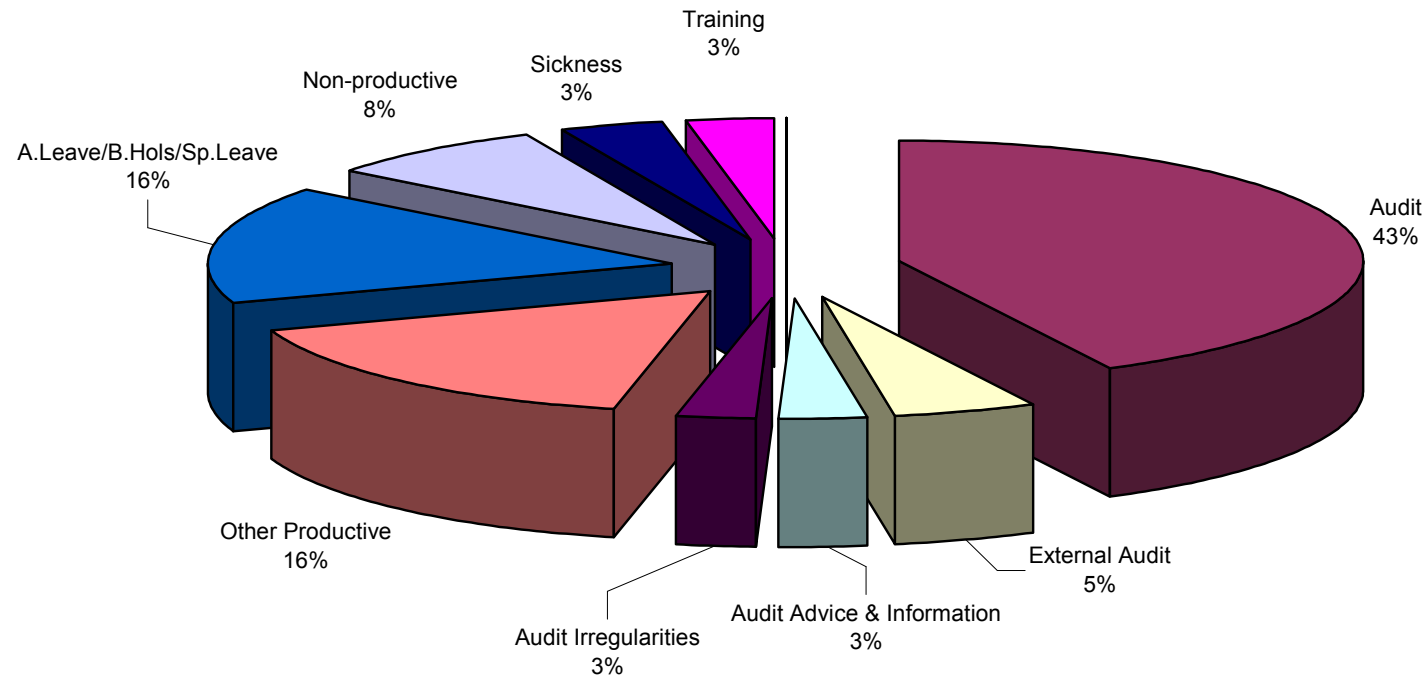
Team Structure

Number of staff 11 FTE

Qualified 6

Number of staff training 3

### Breakdown of all time in Internal Audit April 2009 to October 2009



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>