

## **Internal Audit Projects Completed in 2012/13**

**Audit Title:** Payroll  
**Service:** Finance and Governance  
**Report Issued:** September 2012

### **Audit Objectives:**

The key objectives were to ensure that:

- Payroll procedures operate within the requirements of the Council's Financial Procedure Rules;
- All appointments, amendments and leavers are valid, accurate and authorised;
- Pay is calculated correctly;
- Payments are made securely and correctly;
- Payments are recorded accurately in the Council's accounts

### **Key Findings:**

While written procedure notes exist they do not cover all of the main monthly and year end procedures, therefore there is a risk that if key staff are not present certain processes will be omitted. To improve resilience these should be updated to reflect all key processes;

The authorised signatory list for employee related transactions was found to be out-of-date and therefore did not include all of the line managers who currently authorise timesheets; This document is in need of review

While manual checks are undertaken of the automatic updates to Tax and National Insurance rates provided by Carval (Payroll system), no evidence is retained to support this.

**Level of Assurance Issued:** Substantial

**Management Response Summary:** Management have accepted all recommendations and plan to implement them by May 2013

**Proposed Date for Follow-up:** July 2013

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**Audit Title:** Treasury Management  
**Service:** Finance & Governance  
**Report Issued:** July 2012

### **Audit Objectives:**

- To establish and evaluate the controls over the management and operational arrangements for Treasury Management
- To review the policies and procedures for the monitoring, reporting and control of risk arrangements

- To test that transactions are in accordance with the Council's Treasury Management Policy & Strategy

#### **Key Findings:**

- Policies and procedures were not fully up to date or version controlled.
- At the time of the audit TWBC did not have a formal corporate anti-money laundering policy in place.
- At the time of the audit the Public Works Loan Board loan (entered into in 2010) had not yet been used for any purpose and continued to be invested, with repayments made every 6 months. TWBC's Treasury Management Policy & Strategy does not contain a Minimum Revenue Provision Policy as the authority regards itself as being debt free.

**Level of Assurance Issued:** Substantial

**Management Response Summary:** Policies and procedures will be revised annually as part of the annual review and adoption of the Treasury Management Policy & Strategy. A corporate anti-money laundering policy will be developed, adopted and published. The continuance of the Public Works Loan Board loan will be kept under review.

**Proposed Date for Follow-up:** March 2013

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**Audit Title:** Planning Indicators

**Service:** Planning

**Report Issued:** September 2012

#### **Audit Objectives:**

- To ensure that the PSF returns (planning statistics) are completed in accordance with the guidance and definitions provided by the Department of Communities & Local Government.
- To assess the effectiveness of the administration procedures in place to ensure that data used to complete the PSF returns is accurate.

#### **Key Findings:**

The data recorded on the PSF return was consistent with that of the UNI-Form report used to complete it.

The numbers of applications recorded on the UNI-form report was consistent with the source documents, i.e. dates recorded on UNI-form matched those on the application forms and the subsequent decisions.

While in the main, the correct interpretation of the PSF Return requirements had been made, the high number of 'invalid' applications in the samples was considered to be an issue that needs to be addressed.

**Level of Assurance Issued:** Substantial

#### **Management Response Summary:**

Management agreed to clarify the rationale for invalid applications to ensure they are treated on a consistent basis.

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**Audit Title:** Planning Enforcement

**Service:** Planning

**Report Issued:** September 12

**Audit Objectives:**

The key objectives were to ensure that:

- Complaints received are recorded promptly and allocated for investigation
- Enforcement investigations are conducted in accordance with framework guidance (legal requirements / internal protocols for dealing with cases)
- Post investigation actions (monitoring compliance with planning decisions / enforcement action) are progressed and notified in timely manner, including any follow-up work

**Key Findings:**

At the time of the audit review, the function was operating under considerable stress arising from changes within the function, the absence of key staff (long term sick leave, short notice unforeseen sick leave, as well as maternity cover), and subsequent difficulties in locating files and operating protocols.

The Planning Service Enforcement Strategy and Procedures were found to be out of date, as were constitutional references; however a considerable amount of work had been done to update them and create revised drafts. Inconsistencies were found between different staff with regard to operation of protocols and there was an absence of performance monitoring arrangements; however some of these aspects arose due to the unusual and stressful circumstances prevailing at that time.

**Level of Assurance Issued:** Substantial

**Management Response Summary:** Procedures and strategy will be reviewed and revised, with reviews to be completed by April 2014. Performance monitoring and reporting protocols will also be reviewed and revised.

**Proposed Date for Follow-up:** June 2013

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**Audit Title:** Money Laundering

**Service:** Finance & Governance

**Audit Objectives:**

- To review the current legislation; current policies and procedures in place/operation at the four audit partnership authorities to determine that they meet the current requirements.
- To identify best practice and guidance from other local authorities and organisations, that could be implemented across the partner sites.
- Identify effective communication and promotion of policies to ensure they can be subsequently embedded within the organisation

## Key Findings:

The purpose of the review was to assist in developing a model policy that could be considered and adopted by the four Councils. As part of this work, other governance based issues were considered by the Partnership to ensure that they comply with the current legislative requirements and with best practice. The intention is to bring forward a suite of revised policies for consideration by the respective Councils.

In relation to money laundering:

- Public authorities and their staff are subject to the full provisions of the Terrorism Act 2000 (the TA) and may commit most of the principal offences under the Proceeds of Crime Act 2002 (the POCA).
- Public authorities are not, however, legally obliged to apply the provisions of the Money Laundering Regulations 2007 (the 2007 Regulations).
- However as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes.

A draft policy will be brought forward to the Audit Committee for consideration later this year

**Level of Assurance Issued:** N/A

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**Audit Title:** Planning Investigation

*An exempt report was previously considered by the Audit & Governance Committee at its meeting on November 26<sup>th</sup> 2012. The public minutes (AG29/12) are as follows:*

*Mr Parsons, the Head of the Audit Partnership, presented a report advising members of an investigation that had been carried out by Internal Audit into a member of staff who had been undertaking unauthorised private work.*

*The Committee raised concerns at the length of time taken from when the initial suspension had taken place to the completion of the disciplinary process. However, Mr Parsons stressed that the Council's disciplinary procedures had to be followed strictly, in what was a complicated investigation,*

*Mr Taylor, the Director of Change and Communities, agreed that there has been a substantial volume of evidence to examine, which had added to the length of time the investigation had taken. He explained that there was a prescribed process with set timescales. However, he accepted that, due to the complexity of the case, the time taken to reach a conclusion had been longer than usual and this was not ideal.*

*Mr Greene expressed concern at planning officers, employed by the Council on a properly remunerated and full time basis being formally allowed by the Council to undertake paid, private work in relation to local authorities other than this Council.*

*Looking to what lessons had been learnt; Mr Parsons advised that certain procedures had been tightened up in the specific operational area, to reduce the risk of a similar occurrence.*

**RESOLVED** – *That the involvement of Internal Audit in the investigation of an officer who carried out unauthorised private work be noted.*

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**Audit Project:** Council Tax – Valuations, Liability and Billing

**Service:** MKIP Benefits & Revenues Partnership

**Report Issued:** December 2012

**Audit Objectives:**

The key objectives were:

- To establish if all property valuations (new and amendments) are correctly updated on the Council Tax system
- To establish if the correct Council Tax Debit has been calculated and that it has been correctly applied to Council Tax accounts
- To evaluate the arrangements for the timely and accurate billing of Council Tax

The review encompassed the Tunbridge Wells and Maidstone sites.

**Key Findings:**

Although many common working practices and policies have been developed by the partnership, there are still some areas of inconsistency e.g. records management, data handling and retention, temporary deletions and inspection arrangements.

The national scheme for Council Tax Benefit ended on 31<sup>st</sup> March 2013 and resulted in Local Authorities developing their own schemes. These changes, combined with the implications of the New Homes Bonus (in terms of the record of new properties being based on Council Tax records), impact on inspection regimes (i.e. the need for increased frequency as the shorter durations for some discounts and exemptions may impact on tax base and calculations).

**Level of Assurance Issued:** Substantial

**Management Response Summary:** Management has undertaken reviews of activities, records and working practices affected by the revised operational environment, and has commenced development of new and revised supporting policies and procedures.

The service plans to recruit an additional inspector to support the changes being introduced for empty properties, council tax support and business rates.

**Proposed Date for Follow-up:** July 2013

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**Audit Title:** Car Loans/Mileage/expenses

**Service:** Finance & Governance

**Report Issued:** April 2013

**Audit Objectives:**

The key objectives were to ensure that:

- vehicle related aspects (loans and expense claims) are appropriate and made in accordance with the Council's rules
- claims are adequately evidenced and authorised
- payments are accurately made, and:

- correctly recorded (general ledger / payroll)

**Key Findings:**

Mileage and Expenses related aspects were not always fully supported by adequate documentation (e.g. VAT receipts, insurance documents) and a few allowances were reimbursed at an incorrect rate. In some cases authorisers did not perform adequate compliance checks.

The Car Loan Scheme protocols lacked clarity in a number of areas; the “agreements” did not fully advise prospective applicants of terms & conditions (such as liabilities in the event of change or early repayment), interest calculations values & methodology, and nature and frequency of reconciliations.

The appropriateness of the designation ‘essential’ or ‘casual user’ to specific posts was in need of review.

**Level of Assurance Issued:** Substantial

**Management Response Summary:** The Car Loans scheme (protocols and documentation) has been revised and a new claim process has been introduced to address mileage, expenses and allowance issues. The essential/casual user designations will be reviewed.

**Proposed Date for Follow-up:** October 13

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**Audit Title:** Celebration/Jubilee Grants

**Service:** Health & Wellbeing

**Report Issued:** April 2013

**Audit Objectives:**

The key objectives were to ensure that:

- Grants are made in accordance with published guidance
- Decision making is undertaken in line with published protocols
- The projects delivered are those agreed, and are in accordance with programme terms & conditions
- Post Grant Monitoring and Evaluation is in line with published protocols

**Key Findings:**

- Inadequate scheme provisions e.g. partnership protocols.
- Application & eligibility issues e.g. non application of sponsoring organisation provisions
- Monies (small amounts) spent on items that were not in accordance with the guidance.
- Inadequate records of decision making
- Inadequate monitoring & evaluation Arrangements

The report acknowledged that the grants were for relatively small amounts and overall were not material. However, the recommendations were made in the context of the relatively high profile of the scheme.

**Level of Assurance Issued:** Limited

**Management Response Summary:** An initial response has been received; however this is subject to further discussion with the manager concerned (and the Director)

**Proposed Date for Follow-up:** TBA

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**Audit Title:** Temporary Accommodation

**Service:** Health & Wellbeing

**Report Issued:** April 2013

**Audit Objectives:**

The key objectives were to establish that:

- All tenancies are correctly approved and recorded.
- Rent and other charges have been correctly calculated in respect of each dwelling and that they are accurately recorded on the tenants' rent accounts.
- All rent and service charge income (both collected and housing benefit) is correctly and promptly credited to the tenants' rent accounts.
- All transactions are correctly recorded in the Council's financial accounts.
- Effective procedures are in place to recover tenant arrears and that any write-offs are carried out in accordance with the Council's Financial Procedure Rules

**Key Findings:**

The assessment of key controls identified:

- The lack of automatic processes and the need for controls to compensate for this.
- Written procedure notes should be present and kept up-to-date in respect of both the setting up of rent accounts and posting of payments and arrears recovery.
- The manual posting of income and housing benefits needs to be checked by someone other than the officer carrying out the initial posting.
- A more standardised approach to arrears recovery needs to be adopted

**Level of Assurance Issued:** Limited

**Management Response Summary:** Management has accepted the recommendations and will implement them by May 2013

**Proposed Date for Follow-up:** September 2013

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**Audit Title:** General Ledger – Journals & Reconciliations

**Service:** Finance & Governance

**Report Issued:** April 2013

**Audit Objectives:**

The key objectives were:

- To establish and evaluate the controls over inputs to the general ledger & whether feeder system reconciliations are carried out regularly and promptly

- To ensure that journal transfers between financial codes and the General Ledger are correct and appropriately evidenced

**Key Findings:**

There was a lack of clarity with regard to protocols for journals handled by more than one person and some cases a sub code was not used to fully identify journals.

Staff advised that an annual exercise is undertaken (based on high value items, and in lieu of independent authorisation of journals); however evidence of monitoring and review was not available at the time of the audit.

**Level of Assurance Issued:** Substantial

**Management Response Summary:** Procedures will be revised and communicated to staff to ensure that the set standards operate in practice, with a proportionate management review of journals then performed

**Proposed Date for Follow-up:** September 2013

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**Audit Title:** Royal Victoria Place (Note: the detailed report is shown as an Exempt item on the agenda)

**Service:** Corporate review

**Report Issued:** April 2013

**Audit Objectives:**

- To ascertain the current position with regard to recommendations made in the Caxtons report
- To ascertain whether Management Arrangements have been addressed
- To ascertain whether Financial Arrangements have been addressed

**Key Findings:** Subject to separate exempt report on this agenda

**Level of Assurance Issued:** Limited

**Management Response Summary:** Management have accepted all recommendations

**Proposed Date for Follow-up:** November 2013

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**Audit Title:** Economic Development

**Service:** Economic Development

**Report Issued:** April 2013

**Audit Objectives:**

The key objectives were:



- To ensure that adequate governance arrangements are in place to control and monitor the arrangements with key economic partners, to support delivery of the economic strategy objectives
- To ensure that effective and timely arrangements are in place to assess and monitor achievement of the economic development action plan
- To ensure that administrative and financial procedures are adequate and effective, to record and control economic development operations

**Key Findings:**

- A comprehensive framework has been documented, however the main strategy is identified as a 'draft'
- Passage of time (in particular changes in Government policy) has affected the continuance of some bodies and funding opportunities, their demise means that some text is no longer relevant and requires amendment
- Governance arrangements (for partnerships) vary in the degree of formality accorded, with the relationship with some not being subject to a formalised agreement
- Arrangements to assess and monitor achievement of the 'action plan' require amendment

**Level of Assurance Issued:** Substantial

**Management Response Summary:** Awaiting Management response

**Proposed Date for Follow-up:** TBA

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**Audit Title:** Contract Procedure Rules (Note: the detailed report is shown as an Exempt item on the agenda)

**Service:** Corporate review

**Report Issued:** April 2013

**Audit Objectives:**

The key objectives were to ensure that:

- Quotations/tenders for the procurement of goods and services are obtained in accordance with Contract Procedure Rules;
- Contract documentation is complete and signed by both parties;
- Contracts are recorded in the Council's Contract Register

**Key Findings:**

See separate exempt report on this agenda

**Level of Assurance Issued:** Limited

**Management Response Summary:** Management have accepted all nine recommendations and plan to implement them by September 2013.

**Proposed Date for Follow-up:** October 2013

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**Audit Title:** Grounds Maintenance

**Service:** Environmental & Street scene

**Report Issued:** April 2013

**Audit Objectives:**

The key objectives were to ensure:

- That contracts (for Parks & Grounds Maintenance), once procured and entered into, are administered and varied in accordance with the Council's governing framework requirements
- That contracts are supported by adequate control arrangements, such as bonds and insurance policies, prior to commencement and that such arrangements are maintained throughout the contract duration
- That contractual services are subject to appropriate monitoring and inspection arrangements to ensure that the service(s) provided are in line with the contractual terms
- That payments and penalties are paid / exacted in accordance with contractual terms

**Key Findings:**

- Operational aspects are generally well controlled and documented
- The contract and lease remain unsigned
- The Performance Bond has not been completed
- Variation Orders – the documentary administration could be improved

**Level of Assurance Issued:** Limited

**Management Response Summary:** Management agreed all recommendations for implementation.

**Proposed Date for Follow-up:** October 13

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**Audit Title:** Creditor Payments System (Accounts Payable)

**Service:** Finance & Governance

**Report Issued:** April 2013

**Audit Objectives:**

The key objectives were to ensure that:

- Purchases of goods and services are supported by official orders as required by the Council's Financial Procedure Rules;
- Supplier details are valid;
- Invoice payments are valid, accurate and appropriately authorised;
- Expenditure is accurately recorded in the Council's accounts.

**Key Findings:**

The Key Controls assessed were all found to be substantially in place and therefore no recommendations were made.

**Level of Assurance Issued:** Substantial

**Management Response Summary:** No recommendations were made therefore no management response is required.

**Proposed Date for Follow-up:** N/A

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**Audit Title:** National Fraud Initiative (NFI)

The NFI is a biennial data matching exercise (still) carried out by the Audit Commission. The Council is required to submit a broad range of data which is matched against other data-sets that the Commission has obtained from a number of sources. Data-sets provided include Benefits, Payroll, Creditors, Licensing, Insurance claims and Register of Electors.

Internal Audit continue to be the 'Key Contact' for the NFI exercise and has responsibility for overseeing /co-ordinating the initiative locally, including monitoring progress of investigations and ensuring the Authority complies with the Code of Data Matching.

The review sought to confirm that data matches from the 2011/2012 were being appropriately investigated and that the new data-sets had been submitted for the 2012/13 Initiative.

A summary report was considered at the November meeting of the Audit & Governance Committee.

<http://democracy.tunbridgewells.gov.uk/documents/q2767/Public%20reports%20pack%2021st-Nov-2012%2018.00%20Audit%20and%20Governance%20Committee.pdf?T=10>

The report to the Committee sought to provide assurance to members that arrangements are in place for the prevention and detection of fraud within the organisation. The report assists in informing the Annual Governance Statement.

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Other audit work carried out during 2012/13

**Audit Title:** Risk Management

Internal audit is responsible for overseeing the co-ordination and development of strategic risk management within the authority. The Annual Risk Management report is considered elsewhere on this agenda, setting out the developments /changes in risk management over the last year. The detailed report seeks to provide assurance to members that Strategic Risks are being appropriately managed within the organisation and assists in informing the Annual Governance Statement

**Audit Title:** Commons Conservators

Internal audit are commissioned to undertake an annual internal audit of the Commons Conservators accounts and to provide a report to trustees for consideration as part of the annual accounts. The review examines all areas, such as compliance with Standing Orders/Financial regulations / budgets/ Income/Expenditure/Assets/Bank Reconciliation/Year end procedures; in accordance with Governance and Accountability (England) Practitioners Guide 2010. This piece of work is fee earning for the Council.

**Other:**

Contract evaluation/monitoring – advice and guidance

Regeneration Company – Risk based monitoring of company and related companies

Investigations – non financial

Ad hoc advice & guidance