

AUDITS COMPLETED FROM 2007/08 AUDIT PLAN

Report No 36- 2007/08 – Building Control

This audit was carried out to audit the controls relating to Building Control, update the system notes and to follow up any recommendations from the previous audit.

The objectives of the audit were to:

- Ensure that correct charge was levied in accordance with agreed fees & charges.
- Ensure prompt collection of fee and prompt banking.
- Ensure that all payments made are recorded properly.
- Ensure that all income is correctly coded and trace to ledger and bank.
- Ensure there is an adequate Risk Register and that it is reviewed at least annually.

In the opinion of the auditor the control assurance level is **substantial**

There were two recommendations made with regard to the above objectives and all the rest were found to be in order. The following is the detail.

The Auditor obtained The Building (Local Authority Charges) Regulations 1998 from the internet and also the TMBC Charges for Building Regulation Applications 2007/8. A check was then carried out to ensure that the regulations are being abided by when setting out the fees and charges for the current financial year. In the majority of cases the fees and charges that have been agreed by TMBC abide by the regulations set out by the Government.

An issue that was noticed in respect of the charges, was where the sum of the Plan Charge and the Inspection Charge should equal the Building Notice Charge. (As written in the Building (Local Authority Charges) Regulations 1998.) It was ascertained that for an application of 16 dwellings there is a Plan Charge of £675 and an Inspection Charge of £2892. This totals £3567, but when looking at the Building Notice Charge it is written as £3570. After investigation by the Auditor it was found that the £3 difference was a calculation error and therefore should be amended as soon as possible.

R1 The Building Notice Charge should be amended on the TMBC Charges for Building Regulation Applications to read £3567, in line with Government Building Regulations. (Medium)

The Auditor obtained the latest Risk Review for the Building Control Section of Planning Services. It is dated March 2007 so therefore has been reviewed within the past twelve months. It was found that there is no section within the Building Control Risk Register that details the risks surrounding reviewing the fees and ensuring that they are in line with Government legislation and the fact that we should be aiming to break even with regard to income. This should be highlighted within the Risk Register. All other risks appear to have been covered.

R2 Include a section within the Building Control Risk Register to highlight the risks surrounding the review of Building Control fees and ensuring that they are in line with Government Building Regulations. (Medium)

The action plan received back from the service stated that both of these recommendations had been agreed and implemented.

Report No 37- 2007/08 – National Non Domestic Rates (NNDR)

This audit was carried out to document and review the internal controls regarding NNDR. NNDR is a key financial system and as such is audited every year. This financial year the audit will be limited to testing the Key Controls and to follow up recommendations made in the previous audit.

The objectives of the audit were to ensure that:

- There is separation of duties between collection and creation of the debit.
- Targets are set to keep records up to date and performance is monitored.
- The rateable value is reconciled to the valuation list.
- The appropriate poundage has been applied.
- Bills are sent out by mid-March each year.
- Collection rates are regularly monitored.
- Non-payers and missed payments are followed up promptly and appropriate action is taken.
- Suspense accounts are subject to prompt investigation and regular monitoring.
- NNDR is reconciled to the Main Accounting System at the year-end.
- The IT system is secure and backed up at frequent intervals.
- A satisfactory contingency plan is in place in event of an IT failure.
- A satisfactory risk register is in place and is subject to review annually.
- Recommendations from the last audit have been implemented as appropriate.

In the opinion of the auditor the control assurance level is **High**.

There were only two low priority recommendations made with regard to the above objectives and all the rest were found to be in order. The following is the detail.

It was established that the suspense account is monitored on a regular basis. Upon examination of the entries on the suspense account for 07/08 to date it was evident that there is not a substantial number of payments that are posted to suspense and that they are cleared on a regular basis. As at 27/02/08 there was only one outstanding entry on the suspense account.

It was established that there is an option to view 'available items' which shows all the suspense account entries, where the payments have been transferred to other funds (entries are not shown for those payments that have been transferred to business rate accounts). This could give the impressions that there are payments that are 'available' for transfer, ie have not been dealt with. Ideally, the balance on the 'available items' screen should equal that on the suspense account, ie the total value of suspense entries that have not been allocated. This is not, however, the case. From discussions with staff it was established that the position is different in respect of the council tax suspense account, where entries transferred to a different fund are not shown on the 'available items' screen. This because a separate account has been established for council tax into

which those payments to other funds can be transferred prior to an inter-fund transfer being effected. A similar arrangement would prove useful in relation to NNDR. In addition it was noted that with entries that are transferred to other funds there is no note made on the screen as to where they have been transferred. Although this information can be obtained from examining the inter fund transfer sheets it would prove useful if this information was also recorded on the system.

R1 Investigate the setting up of a separate NNDR account to hold suspense account entries that relate to other funds. (Low)

R2 Ensure that for all suspense transactions there is a note made on screen as to where the payment has been transferred. (Low)

On the action plan returned from the service both of the recommendations were accepted and the planned implementation date was 31/3/08.

Report No 38- 2007/08 – Training

This audit was carried out to audit the controls relating to Training, update the system notes and to follow up any recommendations from the previous audit.

The objectives of the audits were to:

- Ascertain the level of assistance available to members of staff for attending courses, seminars, conferences etc.
- Confirm the procedures to be followed by a member of staff wishing to attend a specific course, seminar etc.
- Test a sample of application forms for compliance with the procedures.
- Confirm the arrangements for payment of course fees and test a sample.
- Test a sample of claims for reimbursement of travelling and subsistence claims for accuracy, supporting documentation, within the scale of charges and authorization.
- Examine the system in operation for linking non qualification expenses within the original application.
- Ascertain the level of budgetary control that is exercised.
- Test a sample of professional membership fees and ensure they have been reclaimed correctly. Also review the current way of reclaiming.
- Examine the criteria for reclaiming course and membership fees from staff leaving the authority and sample check the relevant cases.
- Ensure that there is an adequate risk register and that it regularly updated.
- To ensure that when a course has been paid for in advance of an invoice, that a VAT invoice or proof that the course has been paid, has been received.

In the opinion of the auditor the control assurance level is **substantial**.

There were eight low and medium priority recommendations made with regard to the above objectives. The following is the detail:

The Auditor selected a sample of twenty staff that have had a paid training expense. This sample was then used to ensure that the original course fee can be traced from the TMS Form 1 to the Integra accountancy system.

Many could not be traced as no TMS form 1 could not be found within the individuals training file. The main reason for this is that no TMS form 1 is required when completing a professional qualification. It is felt that an alternative form, similar to that of the TMS form 1 should be compiled in order for a complete audit trail to exist.

R1 The Training and development Officer (T&DO) should compile a new form to record when a member of staff is enrolled on a professional qualification course. (Medium)

One case for a non qualification course was found whereby no TMS form 1 had been completed. The T&DO should ensure that a TMS form 1 is completed for all training, in order for an audit trail to be followed and to show that approval has been made by line managers and chief officers.

R2 T&DO should ensure that a TMS form 1 is completed for all training. (Low)

One other issue arose with regard to this testing. A Planning Officer had applied for a reimbursement of professional membership fees on a training expense form. The T&DO should ensure that when authorising a training expense, that the correct form has been used.

R3 T&DO should check training expense claims to ensure that the correct form has been used. (Low)

The Auditor obtained a sample of twenty training travel claim reimbursement forms from the file held within the Payroll department using the IDEA random sampling system. These claims were then checked to ensure that they had all been signed by the participant and the T&DO (or Senior Personnel Officer in her absence), that supporting documentation had been attached to the claim, that home to work mileage had been deducted and that the claim was within the scale of charges as set out in the Training Expenses and Facilities Scheme document. No issues arose with regard to this.

The Auditor also checked through a sample of the normal travel claim forms, to ensure that training mileage had not been claimed incorrectly. It was noticed that a member of staff had claimed for training mileage on a normal form, so therefore at an incorrect rate. The Auditor calculated that if the correct claim had been made the member of staff in question would have received £29.77 not £101. 21. This should therefore be investigated and action should be taken to reclaim the difference of £71.44.

R4 Action should be taken to reclaim the £71.44 difference from the member of staff for incorrectly claiming a training expense through a normal travel claim form. (Medium)

R5 Remind staff that the correct form should be used when claiming for training mileage. (Medium)

The Auditor obtained a sample of twenty reimbursements of professional membership fee forms using the IDEA random sampling system and checked to ensure that they have been reclaimed correctly. In all cases the forms had been completed and the funds could be found easily on Integra.

A check was also made to ensure that each trainee on a professional qualification had completed a training agreement to state that they would pay back any fees incurred if they left within either a six or twelve month period after completion of their course. One staff member was found not to have completed an agreement. The Personnel Assistant has stated that she will ensure that one is signed by the Benefits Assistant in question as soon as possible.

R6 T&DO should ensure that all staff on professional qualification courses have a signed training agreement prior to the start of the course. (Medium)

The Auditor obtained a copy of the training and development risk register from the share drive. The risk register had been reviewed in May 2007 so had therefore been reviewed within the past twelve months. The only item that was felt to have been missing from the risk register is that of reclaiming fees and charges from staff leaving within the twelve month period. All other risks appear to have been covered.

R7 A section should be included within the risk register that states the risks involved in the reclaiming of fees and charges for staff leaving the authority within the twelve month period after completing their studies/claiming membership fees. (Low)

After obtaining a report from the Senior Exchequer Officer, a total of six payments were identified whereby a cheque request had been raised showing that an invoice was yet to be received. From these six, five invoices were obtained from Exchequer Services showing clearly that the amount due had been paid. These invoices also all stated the VAT breakdown. One invoice could not be found with regard to a course carried out by the Property Technician. The Property Technicians training file was therefore checked and no form of invoice could be found.

R8 T&DO should ensure that if a course has been paid for in advance of an invoice, that a valid VAT invoice or proof of payment is then subsequently obtained. (Low)

On the action plan returned from the service all of the recommendations were accepted and the planned implementation dates were May or June 2008.

Report No 39- 2007/08 – VAT

This audit was carried out to ensure that the monthly VAT return was completed accurately, update the system notes and to follow up any recommendations from the previous audit.

The objectives of the audit were to:

- Examine and document the system (Update system notes) for producing the figures for the VAT return.
- Ensure that an adequate audit trail exists for claim figures.
- Test the source documentation for accuracy of the VAT calculation.
- Test a sample of transactions from the differing sources to ensure that VAT element is charged/claimed correctly.
- Test the sample to ensure that the VAT receipt/invoice complies with legislation.
- Where payment is made on account or in advance ensure that a VAT receipt is obtained.
- Follow up recommendations made in the previous audit.
- Ensure there is an adequate Risk Register and that it is updated regularly.

In the opinion of the auditor the control assurance level is **Substantial**.

There were two recommendations made with regard to the above objectives and all the rest were found to be in order. The following is the detail.

From the sample of debtor invoices examined one query arose with regards to invoice 0000024899 for £58,750, the invoice had been treated as being vatable with the VAT code AL used when the invoice should have not of been vatable as it is outside the scope and should of been YL. Upon examining other debtor invoices sent to this customer 000215 it was established that invoice 0000025044 and 0000024511 were treated correctly as non taxable supplies but were attributed to XL instead of YL.

R1 Ensure that all invoices that have been sent to customer 000215 are examined and corrected where necessary, also ensure that any future invoices are coded correctly. (Medium)

The latest Risk Register held on the share drive is dated May 2007 and appears adequate. A recommendation was made during the last audit to include an extra item which has now been included. Within the risk register the Internal Audit section has been listed as an existing control. From discussions with the CIA it was established that this is incorrect, although reference can be made to the work of the Internal Audit section within the comments column on the risk register it must not be listed as an existing control.

R2 Ensure that the Risk Register is amended to delete reference to the Internal Audit section as an existing control. (Low)

On the action plan returned from the services both of the recommendations were accepted and the planned implementation dates were March and April 2008.

Report No 40- 2007/08 – General Ledger

This audit was carried out to audit the controls relating to the General Ledger to ensure that data is processed accurately, update the system notes and to follow up any recommendations from the previous audit.

The objectives of the audit were to audit the General Ledger system using the Audit Commission testing schedules which cover the following:

- Main accounting system
- Budgetary and other high level monitoring controls
- Close down procedures (including the brought forward figures).

Also to:

- Ensure that there is an adequate Risk Register relating to the General Ledger and that it is reviewed annually.
- Follow up the recommendations from the previous audit.

In the opinion of the auditor the control assurance level is **High**.

All of the controls that were tested were found to be in order and there were no recommendations made during this audit.

Report No 41- 2007/08 – Angel Centre Cash up

This audit was carried out to ensure that all monies advanced by way of floats and petty cash can be accounted for.

The objectives of the audit were to ensure that:

- The floats and petty cash held agree with Accountancy records.
- The cash held in each safe and till does not exceed the insurance limit.
- Cashing up procedures are adequate.
- Security and access to floats and cash in hand is appropriate.
- Lost property is held securely and adequate procedures exist and are followed.
- Any other monies held in the safe is kept to a minimum and that it is separate and clearly identifiable.
- There are no redundant floats.
- Petty cash receipts are reasonable, exist for each payment and an authorised signatory has signed each one.
- Relevant recommendations from the previous audit have been implemented.

In the opinion of the auditor the control assurance level is **Substantial**.

There were two recommendations made with regard to the above objectives and all the rest were found to be in order. The following is the detail:

The records held by accountancy show that the Angel Centre should hold petty cash of £570.

The only people who have access to the petty cash held in the main safe are the General Manager and the Clerical Officer. However a £50 float has now been issued to the duty managers following a previous recommendation.

The petty cash float and petty cash claims forms were examined from which a discrepancy of £5.00 was found. This should be investigated by the General Manager in consultation with the duty managers.

R1 The £5.00 petty cash discrepancy should be investigated and appropriate action taken. (Medium)

A check was made to ensure that any valuable lost property was being held securely and there were adequate procedures.

The auditors checked that the few items held within the lost property box had been tagged and identified within the lost property log. The items had all been listed within the log but none had been tagged.

R2 All lost property should be tagged and listed appropriately (Low)

On the action plan returned from the service both of the recommendations were accepted and the recommendation relating to lost property was implemented immediately and the other one was planned for 31/5/08.

Report No 42- 2007/08 – Elections

This audit was carried out to audit the controls relating to the Borough/Parish Elections for 2007, update the system notes and to follow up any recommendations from the previous audit.

The objectives of the audit were to ensure that:

- Payments for election duties have been made accurately and in accordance with any guidelines.
- Inland Revenue rules and procedures have been followed.
- The correct amount has been claimed back for the elections.
- The register has been administered correctly.
- Detailed procedure notes are available to staff.
- There were adequate records for monitoring purposes and to form an audit trail.
- Orders for goods/services are pre numbered, authorised and marked when goods received or invoices paid.
- The correct rate was paid for poll card delivery.
- Value for money was obtained for the purchase of equipment/services.

- Recommendations from the last audit have been implemented where appropriate.

In the opinion of the auditor the control assurance level is **substantial**.

There were seven low or medium recommendations made with regard to the above objectives. The following is the detail:

Details of a sample of twenty staff, who were paid for election duties for the Borough and Parish Election held on 3rd May 2007, were randomly obtained using a report from the Northgate Pickwick system and the IDEA random number sample technique.

The sample was checked to ensure that the fees paid to them agreed with the scale of fees for District/Borough and Parish Council elections held on or after 1st April 2007 from the Kent Association of Electoral Registration Officers and Staff. The sample was also checked to the Exchequer Sections payments reports confirming they were actually paid whether by BACS and/or cheque.

Ideally it would be administratively quicker if all staff were paid by BACS however at the time of the election it became apparent that some staff had not submitted their bank details and therefore had to be paid by cheque.

R1 Where possible, prior to the election payments being made, ensure that all staff have submitted their current and appropriate bank details to enable all payments to staff to be made by BACS. (Low)

The same sample chosen previously was used to check that the correct amount of tax had been deducted from staff payments and notified to the HMRC in a timely manner.

All calculations of staff tax appeared correct however the total tax paid of approximately £12,000 was not paid to HMRC until 31 January 2008.

The payment of taxes in line with Payroll's payments should be made within 14 days of the end of the tax month to which it relates, which works out as the 19th of the following calendar month. Interest could be charged on late paid tax and could make the council more likely for an inspection.

R2 Payments to the HMRC should be made in a timely manner to avoid any penalties being charged. (Medium)

For the Borough/ Parish Elections the Parishes are recharged for elections. The Electoral Administrator maintains a number of spreadsheets detailing the various costs of the elections and uses these to compile a Parish recharge spreadsheet from which sundry debtors accounts are raised for the Parishes. Unfortunately this last year the Parishes were not recharged for Ballot Papers and therefore another sundry debtor account had to be raised for each of the relevant Parishes. Additionally when recalculating the charges as part of the audit testing it was discovered that the staff costs

had been incorrectly calculated and each Parish required a further sundry debtor account.

It was mentioned during the audit about the fact that a new windows based system is going to be purchased due to the current system being so out of date and almost obsolete.

It is suggested that the new system is looked at to establish whether reports can be extracted to eliminate the need for numerous separate spreadsheets outside of the system.

R3 The Parishes require recharging for the ballot papers and in future all recharges should be included in the main sundry debtors accounts. (Low)

R4 The Poll staff recharges should be correctly calculated and in future these should be checked by the Principal Administrator before the sundry debtors accounts are sent out. (Low)

Detailed procedure notes should be available to staff. Since the change in the Principal Administrator at the start of the calendar year this has become an ongoing project and procedure notes have begun to be written. A completed procedure note regarding scanning of data was seen and found to be a good example.

R5 Procedure notes should be drawn up for all areas of electoral administration referring to any reference manuals or legislation where applicable to avoid duplication. (Medium)

The expenditure codes used for elections were examined to establish the type of expenditure incurred and whether value for money was being obtained.

It was established that some suppliers are used regularly for elections due to their reliability, knowledge and past performance such as audio systems and printing. Quotes were seen for the hire of a van with a tailgate and the cheapest was used.

A cheque request was found to pay a member of staff for labour for £200 for making some notice-boards for the elections which should be subject to tax.

R6 Payments made to staff should be subject to tax and this should have been paid through the payroll. (Medium)

The latest risk register for Electoral Registration was dated 2007/08 and is therefore due for review, however it is acknowledged that there are some new procedures imminent for the completion of these.

R7 The risk register should be reviewed once the risk register training is complete and it must be ensured that it covers all relevant risks associated with election procedures. (Medium)

On the action plan returned from the service all of the recommendations were accepted with varying implementation dates.

Report No 43- 2007/08 – Income Receipting

This audit was carried out to audit the controls relating to Income Receipting and write audit system notes.

The objectives of the audit was to ensure that:

- All receipts of cash and cheques are properly accounted for and are banked promptly
- Satisfactory internal controls exist to ensure that an adequate separation of duty is maintained and all payments can be traced back to source
- Accuracy of coding is maintained
- VAT is accounted for and recovered where appropriate.
- The IT system is secure and backed up at frequent intervals.
- A satisfactory contingency plan is in place in event of an IT failure.
- A satisfactory risk register is in place and is subject to review annually.

In the opinion of the auditor the control assurance level is **substantial**.

There were seven low or medium recommendations made with regard to the above objectives. The following is the detail:

The Auditor reviewed the documentation for accuracy to ensure that the procedures that are currently carried out are clearly specified. Two issues arose simply with regard to wording within the documentation. Firstly the Financial Procedure rules (part four of the Council's Constitution) lists that the Chief Finance Officer is responsible for certain things involved with the procedure. This should be updated to state that the Chief Finance Officer is now known as the Director of Finance. From discussions with the Audit Manager, it has been ascertained that these are currently under review.

In a similar way, the E-Payments procedure was checked and it was found that the Chief Cashier was still stated as the responsible officer. The Chief Cashier left some time ago and therefore this should be changed to state that the Senior Exchequer Assistant is now the responsible officer.

R1 The E-Payments procedure notes should now be updated to state that the Senior Exchequer Assistant should now be contacted when requiring access to the ICON system. (Low)

When following the procedure with regard to the opening of the kiosk, the Auditor found that only one member of staff is present. The cash handling procedure notes state that two members of staff should be present. When the Exchequer Services Manager was

contacted he stated that due to staffing levels this is not always possible. He also feels that due to the banking and receipting controls in place, along with the longstanding trustworthy staff, the risk of internal theft is greatly reduced. It is possible to trace the Cashier from the paying in slip if an issue was found, but it would be difficult to ascertain whether this was an error on TMBC's behalf or that of the bank. There are risks with only having one member of staff carrying out the cash up procedures but this risk is accepted by the Exchequer Services Manager.

After checking the procedure with regard to the opening of the cheque box by the mail opening team it was also the case that one member of staff was present. As per the above, the Exchequer Services Manager is comfortable with the current situation.

R2 The cash handling procedure notes should be updated to state the fact that the kiosk and cheque box are not always cashed up under dual control. (Low)

The process for ensuring that only appropriate Council staff have access to the system is normally that the Exchequer Services Manager obtains a list of all leavers and then passes this to the Senior Exchequer Officer to ensure that they are removed from the system. This is done periodically. When first obtaining the list it was found that many people had left or no longer required access. A revised list was then sent from the Senior Exchequer Officer approximately one month later and was found to be in order. It would be a wise idea to remove access to the system as soon as a member of staff leaves.

R3 Access rights should be removed as soon as a member of staff leaves TMBC employment. (MEDIUM)

The Auditor made a visit to the reception area to ensure that these signs are adequately displayed. No sign was found regarding official receipts but when accessing the electronic kiosk it was noticed that when the payment is complete a message appears on screen to state that the receipt must be retained. This is felt to be a compensating control. No signage however was found stating that cheques must be made payable to Tonbridge and Malling Borough Council.

R4 Ensure that there is a sign on the cheque box that states "Cheques must be made payable to Tonbridge and Malling Borough Council". (Low)

After obtaining the risk register for income receipting all possible risks appear to have been covered. The register has also been reviewed within the past twelve months. The only issue that was noticed in respect of the risk register is the mentioning of Internal Audit in the existing controls column. It was agreed that Internal Audit should not be listed within this column as they are not involved in the daily procedure.

R5 Any mention of Internal Audit within the existing controls column should be removed. (Low)

The Senior Exchequer Officer was questioned regarding the process carried out when engineers have to gain access to the kiosk. He stated that they try to ensure that a cashier is present throughout the engineering works but this cannot be guaranteed. One

member of staff should be present at all times to minimise any opportunity for theft. No logs are kept of the engineer or the staff member present throughout the procedure.

R6 A log of times, dates and names should be kept of when an engineer is required to gain access to the kiosk. (Medium)

R7 Ensure that a member of staff is always present whenever an engineer has access to the kiosk. (Medium)

On the action plan returned from the service all of the recommendations were accepted with August 2008 implementation dates.

Report No 44- 2007/08 – Benefit Fraud Investigations

This audit was carried out to audit the controls relating to Benefit Fraud Investigations, update the system notes and to follow up any recommendations from the previous audit.

The objectives of the audit were to:

- Follow up the recommendations in the previous audit.
- Test a sample of referrals received to ensure that all referrals are recorded and reasons given for non-action are reasonable.
- Test a sample of fraud files to ensure that the investigation was carried out in accordance with procedures set out in the Fraud Manual.
- Ensure that there is evidence that the investigation is complete and there is sufficient Supervision to ensure quality of conclusion.
- Test a sample of fraud cases closed with Fraud Proven to ensure that the action taken was in accordance with the Council's Prosecution Policy and public interest.
- Ensure that the safety of staff is properly monitored with respect to planning interviews, carrying out visits and carrying out surveillance.
- Ensure that a risk assessment is carried out before any surveillance is carried out.
- Update and document the audit file system notes.
- Ensure that there is an adequate Risk Register for Benefit Fraud and that it is reviewed annually.

In the opinion of the auditor the control assurance level is **High**.

There were two medium recommendations made with regard to the above objectives and all the rest were found to be in order. The following is the detail:

A sample of 20 fraud files was randomly selected and a check made to ensure that the investigation was carried out in accordance with various procedures.

There was a checklist missing on one of the files therefore a second random sample of 20 was chosen to check that a checklist was on file. All did contain a checklist.

R1 The Senior Benefits Investigations Officer should ensure that he completes a checklist for each investigation. (Medium)

From the 20 files selected earlier a further check was made to ensure that the investigation was complete and that there had been sufficient supervision.

There was enough evidence on the files. Full Management checks have not been carried out although there was a certain amount of checking on each file. The Senior Benefit Fraud Investigator stated that he had hoped to fulfil all the checks but his workload has not allowed him to do that amount of checking. The procedure should be reviewed so that it states an achievable minimum level of checking.

R2 The Senior Benefit Fraud Investigator should update the procedures relating to management checks. (Medium)

On the action plan returned from the services both of the recommendations were accepted and implemented immediately.