

AUDIT COMMITTEE

21 DECEMBER 2010

OUTCOMES OF AUDIT ACTIVITY

Report from: Internal Audit

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Summary

To advise Members of the outcomes of Internal Audit activity completed since the last meeting of the Audit Committee.

1. Budget and Policy Framework

- 1.1 Following the Council's decision to establish this committee, it is within the remit of this committee to take decisions regarding accounts and audit issues.

2. Background

- 2.1 This report contains the outcome of Internal Audit's work since the last report to this committee.
- 2.2 Generally, Internal Audit reports identify areas where improvement in the control process should be made. However, there is no standard within the internal audit profession of grading the overall control environment. Furthermore, even where recommendations are prioritised, the recipient of the report has no indication of how well the overall control process is operating.
- 2.3 To address this, Medway Council's Internal Audit has introduced a grading system so that managers have a clear understanding of the operation of the control environment in their area. The audit opinion is set at one of four levels and is formed on completion of the audit testing and evaluation stage but **before** management implement any of the recommendations.
- 2.4 All audit reports containing recommendations designed to improve the control process are presented with an action plan, which has been agreed with management and specifies the action to be taken, by whom and when. This agreed management action plan is incorporated in the issued final audit report.

- 2.5 During 2009/10, the audit opinion definitions were revised to improve managers' understanding of them. Also, the opportunity was taken to revise the audit report format to direct managers more clearly to the key risk areas and to assist them, we introduced a clearer priority ranking system for audit recommendations. The revised definitions are shown at Annex A.
- 2.6 Where control is assessed at the lowest level, ("Uncontrolled"), follow up work will be undertaken within six months.
- 2.7 This report details work completed since the last report to Members. The format of the annexes is as follows: -
- Annex A Definition of audit opinions and recommendation priorities
 - Annex B Schedule of completed audit work showing the audit opinion provided and Directorates covered
 - Annex C Summary information on completed audits.
- 2.8 In addition to the work set out on the following annexes, Internal Audit has also responded to requests to provide advice on control issues to managers.

3. Risk Management, Financial and Legal implications

- 3.1 There are no risk management, financial or legal implications arising from this report.

4. Recommendations

- 4.1 Members are asked to note the outcome of Internal Audit's work.

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Background papers

None.

DEFINITIONS OF AUDIT OPINIONS

Opinion	Risk Based	Compliance	Value for Money
Good	Effective controls are in place to mitigate risks reviewed as part of the audit, maximising the likelihood of achieving service objectives and value for money and protecting the Authority against loss.	Key controls exist and compliance is consistent and effective.	Objectives are being achieved efficiently, effectively and economically.
Satisfactory	Key controls exist to mitigate the risks reviewed as part of the audit effectively. However, instances of failure to comply with the control process were identified and there are opportunities to strengthen the control system and/or improve value for money.	Key controls exist but there may be some inconsistency in compliance.	Objectives are largely being achieved efficiently, effectively and economically, but areas for further improvement.
Insufficient	Controls are in place to mitigate identified risks and they are complied with to varying degrees. However, there are one or more gaps in the control process that leave the system exposed to significant residual risk. Action is required to mitigate material risks.	Key controls exist but they are not applied, or significant evidence they are not applied consistently and effectively	Objectives are not being achieved through an appropriate balance of economy, efficiency and effectiveness. Value for Money is could be significantly improved.
Uncontrolled	Controls are considered to be insufficient to effectively control at least one of the risks reviewed as part of the audit. Remedial mitigating action is required. There is also a need to improve compliance with existing controls and errors and omissions have been detected. Failure to improve controls could have a significant impact on service delivery, or lead to material financial loss or embarrassment to the Authority.	Failure to comply with large numbers of key controls across a high proportion of the risks reviewed.	Objectives are not being achieved economically, effectively and efficiently.

DEFINITIONS OF RECOMMENDATION PRIORITIES

High

The finding highlights a fundamental weakness in the system that puts the Council at risk. Management should prioritise action to address this issue.

Medium

The finding identified a weakness that leaves the system open to risk. Management should ensure action is taken to address this issue within a reasonable timeframe.

Low

The finding highlights an opportunity to enhance the system in order to increase the efficiency or effectiveness of the control environment. Management should address the issue as resources allow.

Completed Audit Activity

Activity ↓	Directorate →	Opinion	Authority Wide	Children and Adults	Regeneration Community and Culture	Business Support Department
Co-ordination of bidding for external funding		S	S			
Direct debit income		S	S			
Imprest accounts (follow-up)		S	S			
Leisure memberships		●			●	
Payroll - pension deductions		G				G
Security of confidential records at satellite sites		I		I		
Transport procurement		U		U	U	
Treasury management strategy		G				G
Compliance with Financial Procedures					I	
<ul style="list-style-type: none"> Medway Park Parklands Resource Centre (follow-up) 		I I		I		
Housing benefit subsidy claim verification		●				●
PSA2 outturn validation		●		●		

Key:

G = Good, S = Satisfactory, I = Insufficient, U = Uncontrolled

- Work carried out but no opinion provided in that area

Completed Audit Activity

Audit: Co-ordination of Bidding for External Funding

Opinion: Satisfactory

There are two teams in Medway Council with responsibility for co-ordinating bids for external funding. Together they secured approximately £10m of funding for Medway in 2008/09. The Corporate Bidding Unit takes a lead role in the co-ordination, preparation, development and support of bidding activity for all UK funding sources. They have no direct responsibility for the subsequent project management and delivery of any projects. The Economic Development and Social Regeneration Service are the Authority's experts on European funding, SEEDA funding and DWP employment support funding sources and manage some of these external funded projects directly.

Main Findings	Main Risks	Main Recommendations	Management Response
<p>Funding requirements are sufficiently broad that all externally funded projects meet the Authority's priorities.</p> <p>The Corporate Bidding Unit ensures external funding opportunities are shared with interested parties, enabling co-ordination.</p> <p>Analysis of income received during 2009/10 showed that one third of external funding (21% by value) bypassed both the External Funding Unit and the Economic Development and Social Regeneration Service. The Corporate Bidding Unit was not aware of this bidding activity.</p> <p>After successful bids, project delivery, including meeting specific funding provider requirements, follows the Authority's service planning systems.</p> <p>Different funding providers have different regimes for claiming funds. All external funding income due had been received.</p>	<p>Poor co-ordination of external funding may lead to conflicts between bids or bids of inferior quality.</p>	<p>One medium priority recommendation would have been raised to ensure better liaison between Finance and the Corporate Bidding Unit. This would have allowed the Corporate Bidding Unit to target marketing at managers actively bidding for UK funding in order to ensure their bids can be co-ordinated with others in the Authority.</p> <p>However, as a result of the emergency budget reductions approved in June 2010, Medway Council will no longer fund the Corporate Bidding Unit from the end of January 2011.</p>	<p>N/A</p>

Completed Audit Activity

Audit: Direct debit income

Opinion: Satisfactory

The Authority receives approximately £100 million of income via direct debit each year, the majority of this relating to council tax, and has plans to extend its use to other services, for instance Housing Rents. Direct debits are widely regarded as more efficient than receiving payment by cheque or cash and also less vulnerable to theft or fraud.

The direct debit guarantee is offered by all banks and building societies that accept instruction to pay direct debits and is meant to provide protection to the payee in the event of anything going wrong. The audit evaluated compliance with the guarantee, which places Medway Council under a duty to ensure proper processes are in place to notify customers of charges due and handle customer information properly. Income could be lost if direct debits are handled inappropriately.

Four risks were examined:

- direct debit mandates may be set up against incorrect accounts, without account holders' authorisation;
- payment demands may be inaccurate, drawn from incorrect accounts or claimed at the wrong time;
- the Council may not comply with the 'direct debit guarantee' in the event that an inaccurate demand is made;
- income received and rejected claims may not appear accurately and promptly in the financial records.

The audit report was issued 1 November

Main Findings	Main Risks	Main Recommendations	Management Response
<p>Appropriate controls are generally in place to mitigate the risks examined. However, the following issues were identified:</p> <ul style="list-style-type: none"> • the Lifeline service was not adhering to BACS guidelines on retaining secure electronic images of direct debit mandates; • Adult Social Care did not send direct debit mandates to the bank until the first invoice was raised, rather than within 10 working days of being signed (as stipulated in BACS guidance); 	<p>Lifeline cannot prove receipt of Direct Debit mandate forms.</p> <p>Mandates rejected by the bank due to being received outside specified time frame; direct debit arrangement not set up by the time first payment requested.</p>	<p>One high priority, relating to sending direct debit mandates for Adult Social Care to the bank within 10 working days of being signed.</p> <p>Two medium priority, relating to:</p> <ul style="list-style-type: none"> • stating clearly on sundry debtor invoices the payment method and the date the payment will be taken; • entering rejections on Integra promptly, to ensure the direct debit can be taken again on the next available BACS 	<p>All recommendations accepted by relevant managers, with an undertaking to implement actions by the end of December 2010 at the latest.</p>

Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
<ul style="list-style-type: none"> • certain requirements of the 'direct debit guarantee' were not met entirely, for example some invoices did not state clearly that payment method is direct debit and/or the date payment would be taken; • payment rejections, due to insufficient funds or no instruction, not always entered to Integra promptly to ensure that direct debit can be taken again on the next available BACS submission. 	<p>Payee may query the invoice or refuse payment due to ambiguous payment terms.</p> <p>Replacement payments not collected.</p> <p>Invoices or rejections whose status has been changed not paid or chased for payment.</p>	<p>submission, or the customer informed to make alternative payments.</p> <p>(A scanning procedure was initiated in the Lifeline service during the course of the audit, so no recommendation necessary)</p>	

Completed Audit Activity

Audit: Imprest Accounts (follow-up)**Opinion:** Satisfactory

Imprest and petty cash accounts are intended for relatively small items of expenditure, where payment via the normal creditor payment system may be inappropriate or exceptionally time consuming e.g. bus/taxi fares, outings with vulnerable clients or cash payments for emergencies, etc. In the interests of expediency and for the efficient administration of certain business activities, the Council's financial rules permit the use of imprest accounts at some establishments. During the 2009/10 financial year, expenditure over £1m was processed via imprest accounts and the Chief Finance Officer requires assurance that imprest systems are being used appropriately and monies for operating business activities held securely.

The use of Imprest Accounts was last audited in 2009/10, the opinion being "uncontrolled".

The audit report was issued 10 November

Main Findings	Main Risks	Main Recommendations	Management Response
<p>Following the last audit, the financial management team provided training and written guidance to all officers responsible for administering imprest and petty cash systems. Consequently, establishments visited are now using the imprest and petty cash accounts more appropriately. In addition, all returns submitted are now examined by an Accounting Technician for appropriate expenditure.</p> <p>Analysis of expenditure, however, showed that there is scope for further improvement as four of the ten establishments visited had breached the Council's procurement policy by using between 6% and 38% of the total value of their imprest account inappropriately. This compares to 20% to 74% of inappropriate imprest expenditure at six of the ten sites visited in 2009/10. This included payments for Ofsted inspection,</p>	<p>Imprest money could be used inappropriately, lost or stolen.</p>	<p>Two medium priority recommendations were made regarding:</p> <ul style="list-style-type: none"> Reducing the imprest limit at one site from £4000 to £2500; Reminding managers of the need to ensure compliance with imprest procedures. 	<p>Both recommendations were accepted and implemented by end of November 2010.</p>

Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
<p>car servicing, a pressure washer, hall hire and 'moving costs'. Notably, however, these purchases and payments were made in the early part of the new financial year.</p> <p>Management controls are operating effectively at nine of the ten establishments visited to ensure that cash balances (and cheque books) are held securely and risks of theft or loss are minimised. However, three sites need to improve accountability by having two instead of one officer count and record the cash balance periodically.</p> <p>One site had not been performing regular cash counts and could not account for £120. The employee responsible for the imprest account has left the Authority and procedures had been improved before the audit visit.</p>			

Completed Audit Activity

Audit: Leisure Memberships

Opinion: Not applicable

The team at Medway Park administers memberships across all Medway Leisure sites, with different categories of membership available depending on age, site and usage of facilities. Currently there are approximately 4500 members across all sites, with a forecast income of approximately £1 million for the 2010/11 financial year.

A review of Leisure membership procedures was excluded from the recent audit of compliance with financial procedures at Medway Park due to the concurrent investigation into refunds, which identified gaps in the control process.

The audit report was issued 23 November.

Main Findings	Main Risks	Main Recommendations	Management Response
<p>In April, management introduced additional controls to separate duties between maintenance of membership records and cash handling and to prevent the refund of memberships by cash. Audit testing showed the number of memberships that were refunded was reduced significantly by this action, but approximately £2200 of memberships (across all types) was refunded by cash in the period April to July 2010. As a result of the compliance audit, all cash refunds over £10 will need management authorisation and be subject to supervisory review.</p> <p>The membership database is not linked to income or refund transactions made through the Flex till system. The software supplier confirmed this link is possible, but that it has not been set up on Flex.</p>	<p>Cancelled memberships may remain active and in use and new memberships may be set up without the recording of income.</p>	<p>One high priority recommendation was made to ensure reconciliation of all membership activity to membership records.</p>	<p>Management accepted the recommendation and will implement it by February 2011.</p>

Completed Audit Activity**Audit:** Payroll Pension Deductions**Opinion:** Good

Medway Council is the second largest contributor to the Local Government Pension Scheme (LGPS) in Kent with staff members contributing between 5.5 and 7.5% of their salaries each month from over 6000 posts. Between April and September 2010, approximately, £7.5m was contributed into the scheme and Kent County Council's external auditors require assurance that the pension contributions being paid are correct.

The audit report was issued 18 November

Main Findings	Main Risks	Main Recommendations	Management Response
Equations have been set-up in the payroll system in line with the pension scheme's contribution rates. This ensures that the correct deductions are made at the various salary grades for employees in the scheme. Calculations checked for each month between April and September 2010 also confirmed that the employer's monthly contribution of 21.3% had been regularly paid each month into the scheme.	None identified	None	N/A

Completed Audit Activity

Audit: Security of Confidential Records at Children and Adults Sites

Opinion: Insufficient

There are a number of establishments within the Children and Adults directorate that provide various services to 'clients' in the Medway towns. In 2009/10, an audit on arrangements in place to prevent unauthorised access to social care case records was conducted and resulted in an 'uncontrolled' opinion. Senior management require assurance that the procedures for handling confidential data at each site are now appropriate and that lessons learned from the previous audit have been applied to all sites.

The audit report was issued 26 October.

Main Findings	Main Risks	Main Recommendations	Management Response
<p>There is no directorate policy on the treatment of electronic records. Four of the nine sites visited maintain client records electronically. All sites have suitable practices to ensure access is restricted to appropriate staff. Portable electronic media such as laptops, pen-drives and Blackberries are kept secure at all sites. The Council also has a secure email facility that could be used for transmitting information with external organisations. However, the centre managers had not been made aware of secure email.</p> <p>Of the nine sites visited, five maintain manual client records. Visual inspection and enquiries at all sites confirmed that the manual files were kept securely and access is adequately restricted to authorised officers only. There is, however, no corporate policy on storage arrangements.</p>	<p>Confidential information exchanged with an external organisation may be seen by unintended person(s).</p> <p>Confidential records may not be held securely.</p>	<p>One high and one medium priority recommendation were made regarding:</p> <ul style="list-style-type: none"> • Creation of directorate policies to ensure confidentiality of client records; • Use of secure email when corresponding with the PCT. 	<p>Both recommendations were accepted and will be implemented by January 2011.</p>

Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
<p>Guidance on the retention and disposal of clients' records was found to be available on 'Connections', but enquiries revealed that managers were not aware of it. At the time of the audit, none of the establishments had transferred or disposed of clients' records and files that are no longer in current use are archived. Eight of the nine sites visited had not identified destruction dates for archived files.</p>	<p>Files may be kept too long, incurring additional storage costs and potentially breaching the Data Protection Act.</p>		

Completed Audit Activity

Audit: Transport Procurement

Opinion: Uncontrolled

The Transport Procurement Unit (TPU) arranges transport for Special Educational Needs (SEN) and mainstream pupils and to enable Adult Social Care clients to receive services. Transport provision falls into three categories:

- The provision of subsidised or free bus or train tickets for Home to School Transport;
- Framework agreements and ad hoc arrangements with local taxi companies for the transport of small numbers of pupils or social care clients;
- Day to day running of the fleet of adult social care vehicles. This was centralised under the management of TPU in 2008.

The SEN Home to School Transport and Adult Social Care Transport budgets for 2010/11 are approximately £3.7 million and £0.7 million respectively. Additionally, there is approximately £0.2 million budgeted for mainstream Home to School Transport use of the framework agreements.

Early in 2010 an overpayment to a taxi company of approximately £30,000 was discovered. Payments continued to be made for transporting a social care client for two years after the need for the service and transportation ceased.

The audit report was issued 14 October.

Main Findings	Main Risks	Main Recommendations	Management Response
<p>Although there are defined criteria for transport provision, TPU cannot show that transport has been authorised by appropriate management. Current arrangements could allow more junior officers to arrange transport without clearing it with their manager. Typically, TPU are informed of transport of children from respite care to school by parents or taxi companies.</p> <p>TPU score tenders using the ratio 65:35 (quality to price). However, the only quality criterion used (if wheelchair access is not required) is the age of the vehicle. Whilst age of vehicle is important, it is not twice as important as price. Additionally, the evaluation of tenders in 2009/10 contained errors.</p>	<p>Transport may be provided inappropriately.</p> <p>The Authority may not be getting value for money from its transport procurement.</p> <p>The Authority may not be selecting the best contractor.</p>	<p>8 high priority recommendations were raised relating to:</p> <ul style="list-style-type: none"> ▪ Developing the TPU database to improve management information and to provide a robust authorisation process. ▪ Ensuring transport is managed for children entering respite care. ▪ Improvements to tendering processes. ▪ Ensuring transport is terminated when no longer required. ▪ Improvements to checking invoices. 	<p>All recommendations made were accepted and will be implemented by March 2011.</p>

Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
<p>These, combined with the absence of a robust checking process, allowed one contract to be awarded incorrectly.</p> <p>Transport providers typically increase prices when adding pupils to routes but do not reduce them when pupils leave. Closer monitoring of spaces on routes could provide the Authority with additional savings.</p> <p>Our analysis of the TPU database showed that data quality is poor. Adult Social Care taxis are not recorded on the database. These issues make monitoring transport provision more difficult.</p> <p>TPU will continue to provide transport for school pupils and adult social care clients until they are informed the arrangements are no longer appropriate. Whilst TPU could make better use of data held (e.g. to identify potential school leavers), they are reliant on information provided by Adult Social Care and SEN and mainstream Home to School Transport teams, taxi companies and schools. Procedures for this have not been formalised and TPU have no assurance their information on transport requirements is up to date. This was a contributing factor in the £30,000 social care transport overpayment identified prior to the audit and a £4,000</p>	<p>The Authority is not achieving value for money.</p> <p>Opportunities for improving transport provision and identifying savings may not be identified.</p> <p>Transport may continue to be provided when it is no longer required.</p> <p>Overpayments have been made.</p>	<p>11 medium priority recommendations were also raised relating to:</p> <ul style="list-style-type: none"> ▪ Transport policy. ▪ Data quality. ▪ Improving the use of management information. ▪ Document retention. ▪ Improving budget monitoring. 	

Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
<p>overpayment related to a school leaver's route. Action has been taken to recover these funds from the taxi companies.</p> <p>One taxi company transports Adult Social Care clients from Medway to a day centre in Sheerness. In addition to the standard daily rate, the invoice has a variable number of additional charges. Neither TPU nor the social care team knew what the charges relate to. The taxi companies explained these are for additional journeys for the named clients, but this is inconsistent with information obtained from care management. The additional charges amount to approximately £5,000 per year.</p> <p>TPU have appropriate arrangements to raise and authorise Webreq orders. However, weaknesses in the checking processes contributed to the £34,000 in overpayments identified above and allowing the Adult Social Care transport to Sheerness identified above to be paid unchallenged.</p> <p>The TPU database provides a good basis for forecasting transport costs for Home to School Transport. However, monitoring returns show no evidence that SEN have investigated reasons for overspends or attempted corrective action.</p>	<p>The Authority may have been overcharged for transport services.</p> <p>Overpayments have been made.</p>		

Completed Audit Activity

Audit: Treasury Management Strategy

Opinion: Good

The CIPFA code of practice recommends that all public service organisations create and maintain a treasury management policy statement and suitable treasury management practices along with various requirements now summarised in the Authority's Treasury Management Strategy Statement 2010/11. Medway Council had approximate borrowing of £202m and investments of £90m on 31 March 2010.

The audit report was issued 24 November.

Main Findings	Main Risks	Main Recommendations	Management Response
<p>The Authority's investment strategy ensures the security of capital is given the highest priority. The Treasury Management team facilitates this with professional advice from Sector Management Services and Council, Cabinet and Audit Committee oversight. Management have appropriate qualifications and all staff and members receive ongoing training.</p> <p>Action is taken to ensure all investments are secure.</p> <p>The annual investment strategy prioritises liquidity appropriately. Action is taken to ensure funds are always available when required. Two investments require 15 or 35 days notice for withdrawal and one investment is long term (maturing in September 2011). Cash flow forecasting ensures we will have access to this money when it is needed.</p>	None identified	None	N/A

Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
<p>Interest rates and economic and market factors are closely monitored. The best rates are obtained subject to security and liquidity requirements. The cost of borrowing, compared with the very low interest rates on investments, means that capital schemes are currently funded from the Authority's own money rather than taking out new loans, and maturing loans are currently not refinanced.</p>			

Completed Audit Activity

Audit: Medway Park – Financial procedures

Opinion: Insufficient

Medway Park is the new £11m regional centre of sporting excellence that transformed the Black Lion leisure centre. It was opened in January 2010 after Medway was chosen as a pre-games training camp for athletes between 2010 and the start of the London Olympics on July 27, 2012. The 2010/11 gross expenditure and income budgets for the site are approximately £2 million and £1.5 million respectively.

The audit report was issued 28 October.

Main Findings	Main Risks	Main Recommendations	Management Response
<p>Budget monitoring is generally sound but does not fully account for overtime, temporary staff and coaching costs.</p> <p>Procedures for procuring goods need enhancing:</p> <ul style="list-style-type: none"> • Catering supplies only specify the total order value, and therefore cannot be checked to deliveries and invoices; • Telephone orders are not confirmed in writing; • Evidence to support check of delivered goods to delivery notes is not consistent; • Non purchase order invoices do not confirm receipt of goods; • Utility meter readings are not recorded and compared with billed units. <p>The Flex till system provides a good record of the majority of income received. However, duties of handling and reconciling cash are not segregated</p>	<p>Errors in overtime and temporary staff payments may not be identified. Budgets may be exceeded.</p> <p>The Authority may pay for goods and services that have not been ordered or delivered or may pay inaccurate invoices.</p> <p>Declared income may be incorrect.</p>	<p>2 high priority recommendations were raised relating to:</p> <ul style="list-style-type: none"> ▪ Improving recording of orders and deliveries. ▪ Establishing sound procedures for cash refunds. <p>9 Medium priority recommendations were also raised relating to:</p> <ul style="list-style-type: none"> ▪ Verification of overtime, temporary and coaching staff hours claimed to actual payments. ▪ Evidence of checks to ensure all delivered goods and services were ordered and that invoices are accurate and due. ▪ Independent verification of daily takings from tills and vending machines. ▪ Recording of all sales transactions, recording variances and monitoring for trends. ▪ Production of central monitoring records for facility lets and special events, i.e. records of all bookings to ensure income is controlled and 	<p>All recommendations made were accepted.</p> <p>Management advised that the majority of actions recommended, had been implemented by the time the final report was issued. One of the remaining outstanding actions was in progress and will be fully implemented by 31 January 2011.</p>

Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
<p>and monitoring of income levels needs improving. Recording of vending income is particularly weak.</p> <p>A financial limit for authorisation of refunds has not been established and refunds are not consistently:</p> <ul style="list-style-type: none"> ▪ Supported by original payment receipts and/or supporting documents where appropriate; ▪ Refunded according to the original payment method; <p>In addition, payments originally received by cheque are not checked for bank clearance before refunds are processed.</p> <p>Medway Park have their own (Access based) debtors system. It is a reasonable system that helps them monitor charges to clubs and for bookings. However:</p> <ul style="list-style-type: none"> ▪ There is no monitoring to identify all debtors, due charges, received payments and due debt; ▪ Receipt numbers are not shown on the relevant account; ▪ Outstanding debt is reviewed only quarterly; ▪ There is no formal debt recovery record. 	<p>All collected income may not be recorded and or declared/banked and trends are not identifiable.</p> <p>Refunds may not be due and or appropriate.</p> <p>All due charges may not be raised, or raised at incorrect rate/s.</p> <p>There is no clear audit trail of payments/receipts on debtor accounts.</p> <p>Overdue debt may become irrecoverable.</p>	<p>reviewed monthly.</p> <ul style="list-style-type: none"> ▪ Improving asset records. 	

Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
<p>An electronic asset register is in use, however:</p> <ul style="list-style-type: none">▪ Improvements are needed in the consistency of recording information on assets and in the approval process for write-offs;▪ Procedures for adding new and deleting obsolete items have not been produced.			

Completed Audit Activity

Audit: Parklands Resource Centre – financial controls (follow-up)

Opinion: Insufficient

Parklands Resource Centre provides a range of services to parents and carers of disabled children and carries out individual work with children and families where social work input or respite provision is required. The 2010/11 gross expenditure budget for the site is £440,614 and budgeted income is £16,934.

The audit report was issued 18 October.

Main Findings	Main Risks	Main Recommendations	Management Response
<p>The Centre Coordinator has received training enabling her to carry out budget monitoring; support is available from accountants if needed. Budget monitoring spreadsheets are completed and returned to finance on a monthly basis, with accountants satisfied with their submissions.</p> <p>There is separation of duties between raising orders, receiving goods and authorising payments. Although officers confirm that delivered goods are received and charged prices are correct by signing the '3-in-1 box' on non-purchase order slips, there is still scope for improving the checking of supporting evidence (e.g. goods received notes, orders).</p> <p>Since the last audit, Parklands has progressed and can now demonstrate that receipts have been issued and can tie this to income records. However, we were unable to reconcile income banked to income records or verify that income</p>	<p>Payments may be made for goods and services that were not received by the Authority or were incorrectly priced.</p> <p>Losses may be incurred for which accountability may not be established.</p>	<p>1 High priority recommendation was made to ensure all income received is accounted for.</p> <p>5 medium priority recommendations have been made to address the issues raised in this report, relating to:</p> <ul style="list-style-type: none"> • Checking invoices to appropriate records of goods received. • Installation of a safe to ensure cash held is secure. • Increasing banking frequency. • Maintenance of the asset register. • Security marking of assets. <p>These six recommendations are outstanding from 2009/10.</p> <p>Of the 13 recommendations made in the previous audit:</p> <ul style="list-style-type: none"> • 6 have been implemented. • One is no longer applicable as guidance has been updated. • 3 have been partially implemented. • 3 have not been implemented 	<p>All recommendations were accepted and have been implemented.</p>

Completed Audit Activity

Main Findings	Main Risks	Main Recommendations	Management Response
had been banked intact. Parklands have an inventory and the annual check is due in October 2010. However, improvements are needed in the consistency of recording information on assets and creating procedures in the approval process for write-offs.	Losses may occur.	although management had stated they would all be fully implemented by 1/10/09.	

Completed Audit Activity

Audit: Housing Benefit Subsidy Claim verification

Opinion: Not applicable

The external auditors have a statutory duty to examine the Council's annual claim for reimbursement of housing benefits payments and, to assist in this process, Internal Audit has been asked to carry out this exercise.

We therefore followed Audit Commission guidance and testing protocols to review the information contained in the claim and express a conclusion as to whether the claim is fairly stated and in accordance with the relevant terms and conditions.

Main Findings	Main Risks	Main Recommendations	Management Response
<p>We tested a sample of claimants for council tax benefit and housing benefit relating to rent allowances and HRA rent rebates (due to resource constraints the final batch of claimants – for non-HRA rent rebates – was tested by the external auditors).</p> <p>We concluded that the majority of the claims checked had been processed accurately and were generally supported by the level of evidence required. However, two 'systematic' issues were identified, whereby Medway's methodology did not concur with that expected per the Audit Commission guidance – these related to non-application of single person discounts for council tax when benefit claims indicate a single adult occupant (but the discount has not been claimed by the liable party) and assumed annual payment increases on occupational pensions.</p>	<p>The external auditor may qualify the Council's subsidy claim and/or the value of subsidy claimed may be reduced.</p>	<p>Findings were notified to the external auditors and appropriate actions have been discussed and agreed with the Revenues Manager.</p>	<p>Not applicable.</p>

Completed Audit Activity

Audit: Public Service Agreement 2 - outturn validation

Opinion: Not applicable

Medway Council entered into a second three-year Public Service Agreement (PSA) in 2006, which specified 12 'stretch' targets for improving services, a performance reward grant (PRG) of over £7 million being available if all 12 targets were achieved by the end of the PSA period. The PRG due on 11 targets was claimed in December 2009, but as the remaining target (5 – Young people not in education, employment or training - NEET) was not due for completion until January 2010 this could not be included in that claim.

To support the claim for payment of PRG, the Council's Internal Audit unit is required to provide the chief executive with a certificate "regarding the robustness of the reported performance information on the claim". The objective of this audit was, therefore, to validate the sufficiency and/or accuracy of evidence to support declared performance against target 5 and to gain assurance on the reliability of information provided by partners/external bodies.

Main Findings	Main Risks	Main Recommendations	Management Response
<p>We reviewed supporting documentation and, where necessary, clarified issues arising with the officers responsible.</p> <p>We concluded that the performance declared for target 5 was accurate and that the claim for the PRG due could be submitted.</p>	None.	None.	Not applicable.