

Summary of Report of Audit Assignments: April 2011 – March 2012: Assurance Assessments

Audit Ref.	Report/Project	Date of Report	Report Assurance Level	Follow Up Assurance Assessment
1	Arts Development Projects	May 2011	Substantial	No recommendations therefore no follow up necessary
2	Section 106 Agreements	June 2011	Limited	Substantial
3	Compliance with Officer Code of Conduct	July 2011	Substantial	High
4	Publication of Corporate Spend	July 2011	Limited	High
5	Interreg Project	N/A	N/A	N/A
6	National Fraud Initiative	August 2011	N/A	N/A
7	Caravan Site Licensing	August 2011	Substantial	No recommendations therefore no follow up necessary
8	IT Physical & Environmental Controls	August 2011	Substantial	Substantial
9	Members Allowances & Expenses	September 2011	Substantial	No recommendations therefore no follow up necessary
10	Appointment of Consultants	September 2011	Limited	Substantial
11	Government and Communities Services Schemes	September 2011	N/A	N/A
12	General Ledger (Budgetary Control)	October 2011	Substantial	High

Appendix & Audit No.	Report/Project	Date of Report	Report Assurance Level	Follow Up Assurance Assessment
13	Treasury Management	October 2011	Substantial	Scheduled for June 2012
14	Freedom of Information	November 2011	Substantial	High
15	Disabled Facilities Grants	November 2011	Substantial	High
16	Seafront Services	November 2011	Substantial	High
17	Gateway – Project Management	January 2012	Substantial	Scheduled for May 2012
18	Environmental Enforcement	February 2012	High	No recommendations therefore no follow up necessary
19	Income, Cash Collection & Banking	March 2012	Substantial	Scheduled for June 2012
20	Insurance	March 2012	Substantial	Scheduled for July 2012
21	Council Tax (Valuation, Liability and Billing procedures)	March 2012	Substantial	Scheduled for June 2012
22	NNDR (Collection and Refund procedures)	March 2012	Substantial	Scheduled for July 2012
23	Whistleblowing Investigation - Staying Put	March 2012	N/A	N/A
24	Refuse Collection Contract monitoring	March 2012	Substantial	Date to be confirmed
25	IT Disaster Recovery	March 2012	Limited	Date to be confirmed
26	Benefits (Overpayments)	March 2012	Substantial	Date to be confirmed

**Summary of Internal Audit Evaluation of Control Environment –
Assessed as Limited or Minimal at the time of reporting.**

Service Section: Development Services

Audit Title: Section 106 Agreements

Issued Date: June 2011

Audit Objectives: The audit set out to:

- Establish and evaluate the arrangements for recording the individual planning obligations which are negotiated through the Planning process.
- Review the process by which negotiated planning obligations are formalised into Section 106 agreements.
- Establish and evaluate the means by which the Council's interests are brought into account.
- Establish and review the process for monitoring Section 106 agreements.
- Establish and review the means by which planning obligations are collected, recovered or obtained from developers.

Key Findings: The main issues arising from the audit were:

- S106 Agreements currently in place have been negotiated to meet traditional corporate priorities rather than to meet current needs and priorities.
- The Council has insufficient user licences to allow access to the S106 database system to all departments involved in the S106 process to monitor progress. Furthermore, the S106 Officer needs additional training to be able to maximise the full monitoring and reporting benefits of the S106 database.
- Pro-active monitoring of developer progress towards reaching trigger points does not currently take place, resulting in the Council being potentially unaware when S106 monies become due.
- The central debtors system is not used to assist with the collection of S106 monies once they become due, or therefore to flag up when S106 monies are overdue. This has contributed to the Council previously understating its outstanding debtors in its Financial Statements by £406,763, due to officers being unaware that S106 monies are due/ outstanding at year-end.
- The S106 Monitoring Officer does not monitor the use (spending) of S106 monies and was unable to confirm during the audit whether all S106 monies are being utilised in accordance with the terms and conditions of the respective agreements.
- The Council currently hold £1,759,726 of S106 funding, some of which dates back to 2005/06.

Level of Assurance Issued: Limited

Management Response: All of the recommendations made were accepted and the actions planned to be implemented by March 2012

Follow Up Date: April 2012

Follow Up Assurance: Substantial. The Head of Service reported personally to the Audit Committee to confirm his agreed actions and explain the revised procedures, to provide assurance of continued improvement.

Service: Finance

Audit title: Payments to Suppliers – Publication of Spend

Report Issued: July 2011

Audit Objectives: The Council had arrangements with public sector spending and contract analysts – Spikes Cavell – to analyse and publish its spending data via the company’s SpotlightOnSpend website.

The audit focused on key management controls that are in place to ensure compliance with relevant transparency guidance and internal procedures; evaluated and tested the accuracy of published information and confirmed controls over the submission of future data.

Key Findings: The report concludes that the Council is publishing its payment data on a regular, monthly basis. Analysis of the published data during the audit identified recommendations for improvement to enable the Council to more closely meet local government transparency objectives; for example publication of data by expenditure date rather than invoice date; and for clearer classification of spending data. Recommendations were also made to improve internal controls over the published data, for example formal confirmation of Spikes Cavell responsibilities and commitments and introduction of procedures for reconciliation and approval of data prior to publication.

Level of Assurance Issued: Limited

Management Response Summary: All recommendations were accepted or alternative action agreed. A number of actions were implemented immediately and remaining actions were due for implementation by the end of December 2011. Actions included termination of the contract agreement for the publication of expenditure data and transfer of the responsibilities in-house.

Follow-up date: January 2012

Follow-up Assessment: High.

Service: Commissioning & Customer Contact

Audit Title: Appointment of Consultants

Issued Date: September 2011

Audit Objectives: The audit set out to review the process for appointing consultants to ensure that organisational guidelines and the Councils Contract Standing Orders are being complied with.

Key Findings: The audit identified inconsistency in the way that ‘consultants’ were engaged/appointed, with very little guidance available to the managers who appoint them – including lack of guidance to require the checking of references, qualifications and insurance prior to engagement. There was a need to introduce more standardized contract documents.

Some engagements were initially made with a fixed period in mind; whereas in practice the engagement has become longer term. A more formal assessment process was required in order to consider whether an establishment post, possibly with a fixed term, would provide better value for money. Extensions to engagement periods needed to be subject to formal review to ensure that the Council's contract procedure rules are properly observed.

Level of Assurance Issued: Limited

Management Response: All of the recommendations were accepted.

Follow Up Date: April 2012

Follow Up Assurance: Substantial. The follow up confirmed that the actions have been implemented with clear guidance, templates and monitoring arrangements in place to control the appointment process.

Service Section: ICT Services

Audit Title: IT Disaster Recovery

Issued Date: March 2012

Audit Objectives: The audit set out to establish whether:

- The ICT Disaster Recovery Plan is comprehensive and would ensure effective recovery of ICT infrastructure, systems and data, and whether:
- The Disaster Recovery Plan was up to date and had been properly tested; with results of the testing having been formally reviewed so that any weaknesses identified were promptly addressed.

Findings: The report concluded that controls and procedures were in need of improvement. The key issues identified during the audit were:

- The ICT Disaster Recovery Plan is not comprehensive. In particular, it does not address financial arrangements for emergency expenditure during a DR event, and emergency contact details are incomplete.
- There has been no annual review of the Disaster Recovery Plan since the original version was introduced in October 2008. A partial update was undertaken in March 2012 which incorporated sections on roles and responsibilities and communications.
- Assurance are required from the host of Swale's key Academy (Revenues and Benefits) system and i-Trent (HR/Payroll) system, regarding the adequacy of back-up, testing and system recovery arrangements.
- The Disaster Recovery Plan states that a full annual test will be carried out off-site, in association with the Disaster Recovery supplier. This has not taken place
- The Disaster Recovery Plan's requirement for twice-yearly tests of the plan involving IT staff has not been complied with.

Despite the above weaknesses, it was noted that ICT team had taken a very positive approach to the recommendations for improvements arising from the audit. A number of the deficiencies were resolved immediately and there are plans to test the Disaster Recovery Plan and the Disaster Recovery supplier's service provision at its Sevenoaks' site, at the earliest opportunity.

Level of Assurance Issued: Limited

Management Response: All of the recommendations made have been accepted and the actions are planned to be implemented by the end of July 2012

Adequacy of Response: Adequate

Follow Up date: August 2012

**Summary of Internal Audit projects
assessed as Substantial or High at the time of reporting.**

Service Section: Economy & Communities

Audit Title: Arts Development

Issued Date: May 2011

Audit Objectives: The audit reviewed the adequacy of the Art at the Centre grant application process, project management and financial controls. The audit specifically evaluated and tested the procedures in place for the art project 'Room'.

Findings: Audit testing identified that the controls surrounding the administration and documentation of grant funding are strong and provide adequate assurance that the projects are being delivered in line with agreed grant scheme conditions. Testing also confirmed that all expenditure is accurately recorded on the Council's General Ledger system.

The audit assessed the tender process for the project along with the commissioning of the artist to work within the overall project. Audit testing established that all documentation relating to the tender and commissioning process was accurate, complete and appropriately authorised.

Level of Assurance Issued: Substantial

Management Response: A management response was not required as there were no recommendations made within the report.

Service Section: Corporate Services

Audit Title: Compliance with Officer Code of Conduct

Issued Date: July 2011

Audit Objectives: To:

- establish and evaluate the key controls relating to the collection, recording and reporting of officer declarations;
- Establish and evaluate the controls in place to ensure that gifts and hospitality are declared.

Findings: The main issues arising from the audit were the need to:

- Increase staff awareness of the content of the Code of Conduct
- Require staff to complete declarations during the induction process
- Improve information recorded in the Gifts and Hospitality Register
- Evidence the authorisation and monitoring of the Register
- Improve the security of declaration forms

Level of Assurance Issued: Substantial

Management Response: All of the recommendations were accepted and the actions planned to be implemented by December 2011

Follow Up Date: January 2012

Follow Up Assurance: High

Service Section: Housing Services

Audit Title: Caravan Site Licensing

Issued Date: September 2011

Audit Objectives: The audit set out to establish that all caravan site documentation is accurate and that there is an adequate enforcement procedure in place to maintain the safety, security and infrastructure of the sites.

Findings: Audit testing established that there is a licence in place for all sites and all licence and inspection documentation is correctly and securely maintained. It is considered that, with the introduction of a computerised documentation and inspection system (M3), the security of the data and the timeliness of the inspection programme will be more robust.

Several site visits were carried out during the audit which confirmed that the inspection process is adequate and performed to a high standard.

Level of Assurance Issued: Substantial

Management Response: A management response was not required as there were no recommendations made within the report.

Service Section: ICT Services

Audit Title: IT Physical & Environmental Controls

Issued Date: August 2011

Audit Objectives:

- To establish whether responsibilities for controlling the physical security of computer facilities are clearly defined
- To establish whether adequate precautions exist to protect IT equipment
- To confirm that only authorised persons have access to the IT equipment within the machine room
- To ensure that adequate insurance cover exists for IT equipment
- To confirm that third party access to IT facilities is fully protected

Key Findings: The audit found that, generally, controls were operating satisfactorily. Some areas were identified where minor improvements were needed to ensure that assets were more secure and better protected against environmental hazards. These included devices to warn of air conditioning or power supply failure, connection to a "clean" power supply and improved security for network equipment. There were also issues relating to the location and securing of lap tops, the lack of a home working policy and the need to limit weekend access to Swale House by parking control staff.

Level of Assurance Issued: Substantial

Management Response Summary: The ICT Services Manager agreed all eight audit recommendations. Two were completed immediately, with plans to implement a further four within the next 4-5 months. The remaining two recommendations required action from HR (Home Working Policy), and Parking Services (access to Swale House).

Proposed Date for Follow-up: February 2012

Follow Up Assurance: Substantial

Service Section: Legal Services

Audit Title: Members Allowances & Expenses

Issued Date: September 2011

Audit Objectives: The audit set out to confirm that Member allowances are paid in accordance with the Council Members Allowance Scheme and to establish that expenses claims made in 2010/11 were accurate, supported by receipts where appropriate, and appropriately checked and authorised. Member allowances and expenses are published annually on the Council website. The audit review also set out to establish the accuracy of the published information

Findings: Audit testing established that sound controls are in place surrounding the management and administration of the Members Allowance Scheme, with all payments of allowances being in accordance with the Scheme. The Members Allowance Scheme was found to be adequately published and continually available during the year for members of the public to review.

The payment of all Members Allowances through the iTrent Payroll system ensures that all payments are not only administered by an independent employee, but also that the correct deductions are made in respect of Income Tax and National Insurance.

Assurance Assessment at the time of the Audit: Substantial

Management Response: A management response was not required as there were no recommendations made within the report.

Service: Finance

Audit: General Ledger (Budgetary Control)

Report Issued: November 2011

Audit Objectives: The review focused on key management controls over:

- The budget setting process;
- Budget monitoring responsibilities and procedures;

- The reporting of budget variances.

Key Findings: The report concluded that controls over the budgetary control process are good, with budget holders having involvement in the budget setting process and in identifying potential savings to budgets. There is also a good process for the monthly monitoring of budgets.

Two recommendations were made relating to a suggested finance review of agreed savings to ensure delivery in year and confirmation of the availability of reserves to fund revenue expenditure.

Level of Assurance Issued: Substantial

Management Response Summary: The two higher level recommendations were accepted with action plans prepared for action to be taken promptly. Suitable alternative actions were provided for the two low level recommendations.

Follow-up Date: April 2012

Follow-up Assessment: High

Service: Finance

Audit: Treasury Management

Report Issued: October 2011

Audit Objectives: The review focused on key management controls over:

- Treasury Management policies & procedures;
- Investment transactions (records management);
- Investment transactions (calculation & income);
- Loan transactions.

Key Findings: The report concluded that controls over the Treasury Management arrangements are strong. This was reflected within the report as no recommendations were made in relation to the management of the Council's investments. Recommendation was made, however, to update the Council's Money Laundering Policy, and to conduct Money Laundering awareness training for relevant officers.

Level of Assurance Issued: Substantial

Management Response Summary: All recommendations were accepted with action plans prepared for action to be taken.

Proposed Date for Follow-up: May 2012

Follow-up Assessment: To be completed May 2012

Service: Legal Services

Audit: Freedom of Information

Report Issued: November 2011

Audit Objectives:

- To confirm that the Council is in compliance with the requirements of the Freedom of Information Act;
- To establish and confirm that there is a system in place to deal with Freedom of Information requests and that it is used in a proper and timely way;
- That the Council has adopted and maintains a Publication Scheme;

Key Findings:

The audit confirms that responsibility for the effective administration of requests has been defined, with a central administrator being responsible for the timely processing of requests. There are instructions on the website for members of the public to make a Freedom of Information request.

The induction process for new members of staff at Swale includes compulsory training on FOI. There is an e-learning module for existing staff. The current Council Publication Scheme was agreed in 2000 and has been recognised to be out of date. The Council's Solicitor is to commence the update project in January 2012.

Level of Assurance Issued: Substantial

Management Response Summary: All actions were accepted for prompt implementation

Follow-up Date: April 2012

Follow Up Assurance: High

Service: Housing Services

Audit: Disabled Facilities Grants

Report Issued: November 2011

Audit Objectives:

- To review the adequacy of procedures for the assessment and prioritisation of applications.
- To confirm that suitable arrangements are in place for liaison with clients and outside agencies to agree the specification of work required.
- To review the adequacy of arrangements for the selection of contractors and confirm that payments are made in accordance with quotes submitted and to confirm that suitable inspections are carried out prior to the preparation and issuing of completion certificates

Key Findings:

The report concluded that controls over the Disabled Facilities Grants process are good, with officers ensuring that the correct adaptations are provided in line with an approved prioritisation scheme and at a reasonable cost. Suitable checks and site inspections are also taking place to ensure that the work is carried out as agreed and to an acceptable

standard. Recommendations were made in the report to ensure that officer access to claimant benefits records is approved for all grant claims; procedures are tightened to ensure the accuracy of evidence to support client eligibility for grant claims, and for payment to be made to one client where the earnings assessment had been incorrectly calculated. A further recommendation relating to errors in the scoring of client need assessments has been withdrawn following audit retesting which confirmed that the original calculations were correct.

Level of Assurance Issued: Substantial

Management Response: Four of the five recommendations were agreed. One recommendation has been withdrawn following discussion with the Housing Services Manager and SEHO, and post audit review, where it was found that the auditor had incorrectly applied the grant prioritisation methodology.

All accepted recommendations were implemented immediately following the audit.

Follow-up date: March 2012

Follow Up Assurance: High

Service: Commissioning & Customer Contact

Audit: Seafront Services

Report Issued: November 2011

Audit Objectives:

- To establish and review the arrangements for the day to day management of Seafront Services;
- To establish and review the adequacy of arrangements for the recruitment and supervision of lifeguards and beach cleaning staff;
- To evaluate the effective management of Health & Safety risks and controls associated with the provision of Seafront Services;
- To evaluate and test controls over income and expenditure associated with Seafront Services.

Key Findings: A new Seafront Officer was appointed on 1st October 2011 and new administrative and operational procedures have been instigated which are still to be formally documented.

The Seafront Officer had been in discussion regarding the supply of Lifeguards on the Council's beaches and Health & Safety at the seafront, which had been the subject of a peer review carried out by officers from Kent County Council and Gravesham Borough Council. The peer review highlighted the need for updated risk assessments and the findings of the internal audit reinforce that need.

Based on the matters arising from the audit, 8 low risk recommendations were made relating mainly to administrative documentation and improved communications within the service.

Level of Assurance Issued: Substantial

Management Response Summary: All recommendations made within the report were accepted with actions to be completed in a timely manner.

Follow-up date: March 2012

Follow Up Assurance: High

Service Section: Commissioning and Customer Contact

Audit Title: Gateway Project Management

Issued Date: January 2012

Audit Scope:

- To verify that there was a formally approved Project Plan in place which had been subject to risk assessment and which confirms agreed quality/performance, financial and delivery outcomes
- To verify that there was an adequately structured and effective project team in place to achieve delivery of agreed project outcomes.
- To verify that the project was managed in accordance with Swale's project management procedures.
- To verify that there is an adequate partnership agreement in place with KCC that reflects Swale Council's partnership role and responsibilities and ongoing customer service and accessibility objectives.

Findings:

Generally, the Gateway project was established to have been well managed and in accordance with Swale Borough Council project management guidelines. The project was founded on well established project plans, was effectively managed by a project team reporting to a Project Delivery Board, and implemented using effective project management monitoring and communications procedures. The project was subject to delay due to contractor appointment issues which required the building contract to be re-tendered. There was no financial impact to Swale Borough Council associated with the need to re-tender for the works and any additional costs were borne by the project lead, KCC. The Council maintained costs within the capital and revenue budget commitment approved by the Council's Cabinet members and the Gateway has delivered planned customer service facilities.

Five recommendations were made relating to the project:

- The Partnership Agreement between Swale BC and Kent County Council which formalised the agreement between the two organisations - had not been completed or signed by the two partners. In addition the Joint Declaration, setting out the financial commitment, exit strategies etc. has also not been agreed and signed.
- There was no Business Plan in place for the Gateway or an agreed basis for the apportionment of ongoing running costs.
- Evacuation arrangements at the Gateway required review in order to confirm the ongoing adequacy of arrangements for the

- evacuation of disabled staff/customers and mothers with prams/pushchairs
- Project Risk /issues documents should clearly state responsibility for the management of each risk/issue and should be dated to record the timing and clearing of issues.
 - For future projects, more complete stakeholder needs assessment needs to be carried out early in the project process to ensure that key interests (e.g. Health and Safety) and information needs (e.g. Finance reports) are considered and implemented in a timely manner.

Assurance Assessment at the time of the Audit: Substantial

Management Response: All recommendations made within the report were accepted with actions to be completed in a timely manner.

Proposed date for Follow-Up: June 2012

Service Section: Service Delivery

Audit Title: Environmental Enforcement

Issued Date: February 2012

Audit Scope: The audit set out to confirm that the service complies with local and national legislation and to ensure that agreed procedures for financial administration, performance management customer contact and staff training are reliably and accurately carried out.

Findings: The audit confirms that relevant legislation is being complied with and the service has clearly documented operational procedures in place. Customer information regarding the work of ERT is published clearly on the Council website and instructions for payments/forms are precise and clear. All Officers have attended relevant Police and Health & Safety training and the ERT have achieved a Police Accreditation Standard which gives the power to undertake limited Police duties when necessary.

Audit testing established that sound controls are in place surrounding the collection and banking of income.

Assurance Assessment at the time of the Audit: High

Management Response: A management response was not required as there were no recommendations made within the report.

Service: Finance
Audit: Income, Cash Collection and Banking
Report Issued: February 2012

Audit Objectives:

- To establish and evaluate the adequacy of controls over the receipt, recording and processing of income received directly by the Council and its district offices/gateway.
- To review arrangements in place to ensure income is held securely, banked in a timely manner and correctly accounted for.
- To establish and evaluate arrangements for the timely reconciliation of income transactions.

Key Findings: The audit confirmed that documented procedure notes are in place to direct income administration processes and that financial regulations are being complied with. All Exchequer staff have clearly defined roles with adequate segregation of duties and skills to provide cover during staff absence.

Cash and cheques are held securely prior to banking and 'cash in transit' contract arrangements have been adjusted to reflect the new Lloyds banking requirements. Arrangements for telephone and internet payments are confirmed as satisfactory and banking reconciliations are taking place on a timely basis.

Level of Assurance Issued: Substantial

Management Response: All recommendations were agreed and Management response is considered to be adequate.

Proposed Date for Follow-up: July 2012

Service: Finance
Audit: Insurance
Report Issued: March 2012

Audit Objectives: The audit set out to establish and evaluate controls over the Council's insurance arrangements with Zurich Municipal. In particular, the audit considered the insurance contract, the annual renewal process, payment of insurance premiums, recharges, processing of claims, and insurance settlement payments received by the Council.

Key Findings: Audit testing established that insurance arrangements are well controlled. Only one recommendation was made for improvement to the recording of changes to policy details.

Level of Assurance Issued: Substantial

Management Response Summary: The recommendation was agreed and the Management response is considered to be adequate.

Proposed Date for Follow-up: July 2012

Service: Service Delivery

Audit: Council Tax – Valuation, Liability and Billing Procedures

Report Issued: March 2012

Audit Objectives: The audit assessed the arrangements for managing the valuation, liability and billing areas of the Council Tax system. The assessment covered controls within the administrative working practices; the Council Tax IT system, tax setting processes and liaison with the Valuation Office to ensure that property banding records are accurate and provide a sound basis for the subsequent collection and recovery of amounts due.

Key Findings: The report concluded that controls over the arrangements are strong. The records tested were accurate and up-to-date with appropriate procedures in place including strong quality control and management review processes. Areas were identified where improvements could be made covering the management review of high value overpayments and the authorisation, a review of decisions not to recover an overpayment and the amendment of a procedure note on write-offs.

Level of Assurance Issued: Substantial

Management Response Summary: All recommendations were agreed and the Management response is considered to be adequate.

Proposed Date for Follow-up: June 2012

Service: Service Delivery

Audit: NNDR – Collection and Refund Procedures

Report Issued: March 2012

Audit Objectives: The audit assessed the arrangements for managing collections and refunds relating to the NNDR system. The assessment covered controls within the administrative working practices, the NNDR IT system (Academy), and the reconciliation of financial information between the cash receipting system, Academy and the financial accounting system (Agresso). It was based in part upon the CIPFA Systems Based Control Matrices covering the key elements required for the effective control of this essential financial system.

Key Findings: The report concluded that controls over the arrangements are strong. The records tested were accurate and up-to-date. One area was identified where an improvement could be made in relation to the regular reconciliation between Academy and Agresso.

Level of Assurance Issued: Substantial

Management Response Summary: All recommendations are agreed and Management response is considered to be adequate.

Proposed Date for Follow-up: July 2012

Service: Commissioning & Customer Contact

Audit: Refuse Collection Contract Monitoring

Report Issued: March 2012

Audit Objectives: The audit set out to verify that key management controls are in place to ensure the soundness of contract payments, variations to the contract, contract and performance monitoring arrangements, and the maximisation of income from recycling and the implementation of the recycling strategy.

Key Findings: The report concludes that controls are generally strong. It is clear that the Supervising Officer is active in ensuring that contract performance, both financial and operational, is of a high standard. Several areas were identified where improvements can be made, for example, the validation of clinical waste quantities at the invoice approval stage, the development of performance data relating to the monitoring time spent by officers on waste management and the introduction of a reconciliation of bulky collections claimed by the contractor to the number of bulky collection requests made by the public to the Council.

Level of Assurance Issued: Substantial

Management Response Summary: All recommendations were agreed and the Management response confirms the actions to be taken to address all improvements in a timely manner.

Proposed Date for Follow-up: July 2012

Service: Service Delivery

Audit: Benefits (Overpayments)

Report Issued: March 2012

Audit Objectives: The review focused on key management controls in place for:

- Compliance with statutory provisions and the Council's procedures;
- Correct classification of overpayments in line with DWP requirements;
- The effective prevention, identification, recording, notification and recovery of overpayments; and
- Appropriate write off procedures where further recovery cannot be pursued

Key Findings: The report concludes that controls over the arrangements are strong. The records tested were accurate and up-to-date with appropriate procedures in place including strong quality control and management review processes. Areas were identified where improvements could be made to procedures for the management review of high value overpayments and their authorisation; a review of decisions not to recover an overpayment and the amendment of a procedure note on write-offs.

Level of Assurance Issued: Substantial

Management Response Summary: All recommendations have been agreed with appropriate action plans for the timely improvement to procedures.

Proposed Date for Follow-up: July 2012

Other audit project work

Service: Corporate/Section 151 officer responsibilities

Audit title: National Fraud Initiative (NFI)

Background: The NFI is a biennial data matching exercise carried out by the Audit Commission. The Council is required to submit a broad range of data which is matched against other data sets from a number of sources. Data sets provided by the Council include Benefits, Payroll, Creditors, Licensing, Insurance Claims and Register of Electors.

Internal Audit is the 'key contact' for the NFI exercise and has responsibility for overseeing/coordinating the initiative at the local level. This includes monitoring the progress of investigations and ensuring that the Council complies with the Code of Data Matching.

Findings: The report identified that good progress was being made to investigate the data matches.

The report provides some assurance that arrangements are in place for the prevention and detection of fraud within the organization and provides evidence for the Annual Governance Statement.

Level of assurance at the time of the audit: Not applicable

Management Response: The report was provided for information and no response if required.

Service: Economy and Communities

Audit title: Homes and Communities Agency - Review of Grants Received

Report issued: No report issued

Background: Internal Audit was asked to check the accuracy and adequacy of the 'statement of grant usage' forms in accordance with the terms of the HCA grant agreements.

The audit work focused on verifying the eligibility of the grant related expenditure for each of the 5 grants reviewed.

Findings: The audit concluded that the grant funded expenditure was eligible. However, in the absence of other evidence, for a small number of items, it was necessary to accept the assurance of the Head of Economy and Communities that expenditure incurred was within the scope of the funded project.

Following the audit checks the "Statement of Grant Usage" forms were signed and forwarded to the Homes and Communities Agency.

Service: Commissioning and Customer Contact

Audit title: Interreg – Mosaic Project

Claim checked: July 2011

Background: The Council is a participant in the 'Mosaic Project' which is led by Kent County Council and will provide a detailed socio-economic map of the County to assist resource planning and to allow Councils to focus on service delivery. The project is part of an initiative by the 2 Seas Cross-Border Co-operation Programme involving the French Nord-Pas de Calais region, the south coast of England and the Dutch coast. All Kent local authorities are participating in this initiative. The project deals with economic, environmental and social issues. The Council receives up to 50% funding from the European Union. The contribution from Swale Borough Council is primarily through the time of the officers spent developing the project. Internal Audit acts as 'First Line Controller' (FLC) and is responsible for auditing all claims, ensuring that the claims comply with strict evidence requirements. The FLC is required to agree and sign-off claims prior to the claim being submitted. Failure by the Council to submit detailed evidence to support the claim or to provide a FLC certification would result in the claim being rejected.

Findings: The audit checks identified a number of errors/omissions that were amended prior to the claim being finally submitted.

Level of assurance at the time of the audit: Not applicable

Management Response: None required.

Service: Housing Services

Audit title: Whistleblowing -

Report issued: March 2012

Background: Following receipt of a Whistleblowing allegation of misconduct, Internal Audit was asked to check the accuracy and adequacy of Staying Put applications and associated authorisations and payments to confirm compliance with scheme conditions and internal procedures.

Findings: The audit concluded that a breach of procedures had not occurred. However recommendations were made to address a number of weaknesses where improvements to controls could be made.

Level of assurance at the time of the audit: Not applicable

Management Response: None required. A full audit review of the Staying Put Scheme operations is scheduled for 2012/13.

Summary Report of Audit Follow Up Assurance Assessments

	Follow Up reviews carried out April 2011-March 2012	Date of Follow Up	Audit Assurance Assessment	Follow Up Assurance Assessment	Direction of Travel
1	LEF Grants	March 2011	Substantial	Substantial	→
2	Food Safety	April 2011	Substantial	Substantial	→
3	Health & safety (External)	April 2011	Limited	Substantial	↑
4	Car Parking Income	May 2011	Substantial	Substantial	→
5	Council Tax	May 2011	Limited	Substantial	↑
6	Sports Development	June 2011	Minimal	Substantial	↑
7	General ledger (Feeder Systems)	June 2011	High	High	→
8	Accounts Payable	June 2011	Substantial	Substantial	→
9	Housing Benefits	June 2011	Substantial	Substantial	→
10	Accounts Receivable	June 2011	Substantial	Substantial	→
11	Development Control Administration	June 2011	Substantial	Substantial	→
12	NNDR	July 2011	Substantial	Substantial	→
13	Asset Management	Sept 2011	Substantial	Substantial	→
14	Section 106 Agreements	Jan 2012	Limited	Substantial	↑
15	Publication of Corporate Expenditure	Jan 2012	Limited	High	↑

16	Development Control Enforcement	Feb 2012	Limited	Substantial	↑
17	IT Physical & Environmental Controls	Feb 2012	Substantial	Substantial	→
18	Seafront Services	March 2012	Substantial	High	↑
19	Compliance with Officer Code of Conduct	March 2012	Substantial	High	↑
20	Housing Assistance Policy (Disabled Grants)	March 2012	Substantial	High	↑
21	General Ledger (Budgetary Control)	March 2012	Substantial	High	↑
22	Appointment of Consultants	March 2012	Limited	Substantial	↑

Remainder of 2011-12 Audit Plan carried forward to 2012-13

Audit Subject	Service	Notes
CCTV Contract Review	Economy & Communities	Postponed due to limited audit resource
Housing – Licensing of Landlords	Housing Services	Postponed due to limited audit resource
Accounts Payable (Inc credit cards)	Finance Services	Postponed due to limited audit resource.
Leisure Centre Management	Commissioning & Customer Contact	Postponed at management request due to recent consultant review of operations
Health & Safety (Corporate Responsibility)	Corporate Services	Postponed at Management request due to recent peer review assessment - To commence May 2012

Definitions of Assurance Levels

Our opinion on the adequacy and effectiveness of controls for an audited activity is shown as an **assurance level** within four categories. The use of an **assurance level** is more consistent with the requirement for managers (and Members) to consider the degree to which controls and processes can be relied upon to achieve the objectives of the reviewed activity. The assessment is largely based on the adequacy of the controls over risks but also includes consideration of the adequacy of controls that promote efficiency and value for money. The definitions of assurance levels are provided below:

Controls Assurance Level	Summary description	Detailed definition
Minimal	Urgent improvements in controls or in the application of controls are required	<p>The authority and/or service are exposed to a significant risk that could lead to failure to achieve key authority/service objectives, major loss/error, fraud/impropriety or damage to reputation. This is because key controls do not exist with the absence of at least one critical control or there is evidence that there is significant non-compliance with key controls.</p> <p>The control arrangements are of a poor standard.</p>
Limited	Improvements in controls or in the application of controls are required	<p>The area/system is exposed to risks that could lead to failure to achieve the objectives of the area/system under review. This is because, key controls exist but they are not applied, or there is significant evidence that they are not applied consistently and effectively.</p> <p>The control arrangements are below an acceptable standard.</p>
Substantial	Controls are in place but improvements would be beneficial	<p>There is some limited exposure to risk which can be mitigated by achievable measures. Key or compensating controls exist but there may be some inconsistency in application.</p> <p>The control arrangements are of an acceptable standard.</p>
High	Strong controls are in place and are complied with	<p>The systems/area under review is not exposed to foreseeable risk, as key controls exist and are applied consistently and effectively.</p> <p>The control arrangements are of a high standard.</p>