

Internal Audit Report

PATROL – Review of Draft Financial Regulations

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Report Status

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1 Introduction

- 1.1 This report summarises the findings and conclusion from our desk top review of the Draft Financial Regulations for the Parking and Traffic Regulations Outside London Adjudication Joint Committee (PATROL AJC). Overall we support the approach you have taken in compiling the document, which has included consultation with the Head of Financial Accountancy and assistance has been provided by the Head of Democratic and Statutory Services within the Lead Authority.

2 Background

- 2.1 The PATROL AJC was established to enable councils having Civil Enforcement Area Orders to exercise their functions under Section 81 of the Traffic Management Act 2004 and Regulations 17 and 18 of the Civil Enforcement of Parking Contraventions (England) General Regulation 2007. These functions are exercised jointly with other councils in accordance with the requirement of Regulation 16 of the Civil Enforcement of Parking Contraventions (England) General Regulations.
- 2.2 The Traffic Penalty Tribunal is an independent tribunal where impartial lawyers consider appeals by motorists and vehicle owners whose vehicles have been issued with Penalty Charge Notices (PCNs) under the Road Traffic Act 1991, Traffic Management Act 2004 and Bus Lane Contraventions Regulations (2005 SI No 2757).
- 2.3 The functions exercised by the PATROL AJC on behalf of its constituent councils include appointing independent adjudicators to the Traffic Penalty Tribunal, providing adjudicators with administrative staff and accommodation and providing hearing venues. Its remit in relation to the Tribunal is limited to these matters.
- 2.4 The PATROL AJC has decided that expenses shall be defrayed between Member authorities in proportion to the number of PCNs issued.

3 Scope and Approach

- 3.1 You requested we complete a desk top review of the draft Financial Regulations to help ensure their fitness for purpose prior to being submitted to PATROL AJC Members for approval. Two days were allocated to the completion of this work.

4 Findings

- 4.1 We have made you aware of a number of areas within the draft Financial Regulations which in our opinion require amendment, in order to ensure clarity and guidance for staff, with regard to the internal controls in place. A detailed breakdown of our findings in relation to the records made available is attached in Appendix 1.
- 4.2 We support your intention to introduce a finance manual and a document library to support the approved Financial Regulations by providing more detailed policy and operational procedures for staff.

5 Conclusion

- 5.1 The draft Financial Regulations are a positive step in further developing the financial management arrangements for the PATROL AJC although some further work is required to ensure they are robust and fit for purpose. We recommend the amendments identified in Appendix 1 will help strengthen and clarify controls.

Appendix 1: Detailed Findings

Parking and Traffic Regulations Outside London Adjudication Joint Committee (PATROL AJC) Draft Financial Regulations (Version 2)		Matters Arising
Section 2: Accounting Arrangements		
2.2	The Head of Service shall provide a set of financial and accounting procedures to be operated by officers on behalf of the Joint Committee.	We recommend this point be renumbered as 2.3 and developed to reflect that the procedures help ensure that the Treasurer is provided will all required financial records (in the revised point 2.2).
2.3	All accounting and financial arrangements shall be determined by the Head of Service.	As part of the proposed restructure of Section 2 Accounting Arrangements, consideration should be given to removing this point as it is addressed above.
2.4	The Head of Service, where applicable, shall be responsible for the submission of all claims for grant to Government Departments, or to the EU.	We recommend that this point is positioned after the roles, responsibilities and requirements for the production of the annual accounts and accounting procedures for clarity purposes.
2.5	The Treasurer to the Joint Committee is responsible for the preparation of the PATROLAJC's Statement of Accounts and the Head of Service will ensure that the Treasurer is provided with such accounting records as are required for this purpose.	This point appears to follow directly from 2.1 of the draft financial regulations, which sets out the role of the PATROLAJC, Head of Service and Treasurer. We therefore suggest this point is renumbered as 2.2
Section 3: Banking Arrangements, Cheques and Purchase Cards		
3.1	All arrangements with the Authority's bankers, including the ordering and safe custody of cheques, shall be made under arrangements approved by the Head of Service.	<p>There is no mention of either the procedures already in place for the ordering and safe custody of cheques or for the use of purchase cards. We therefore suggest this point is reworded as follows:</p> <ul style="list-style-type: none"> All arrangements with the Authority's bankers, including procedures for the ordering and safe custody of cheques and purchase cards, shall be made under arrangements approved by the Head of Service.

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3.4	Bank reconciliations will be undertaken on a monthly basis and signed by two members of staff.	We understand a Finance Manual containing various documented procedures, including bank reconciliations, is to be compiled shortly. We therefore recommend reference is made to the Manual here so that officers referring to the Financial Regulations are made aware of its existence.
Section 4: Revenue and Capital Budgets		
4.1	The Head of Service, in consultation with appropriate officers, shall prepare annual estimates of expenditure and income, including the proposals for the basis for defraying that expenditure through member authorities.	Section 5.2 of The Agreement for a Parking and Traffic Regulations Outside London Adjudication Committee (dated 2008) states: “The PATROLAJC shall no later than 31 January in each year adopt a budget of estimated expenditure by it for the ensuing year commencing on the 1 April and shall in accordance therewith determine the amount of contributions from each of the Participating Authorities in that year, the date or dates on or before which a payment or payments in respect of the contributions are required to be made and the amount of that payment or each of those payments”. We therefore recommend approval of the basis used for the defrayment of expenditure by the Joint Committee or Executive Sub Committee in January each year is included in the financial regulations.
4.2	The Head of Service will monitor income and expenditure against the budget and will report to the meetings of the PATROL Adjudication Joint Committee or its Executive Sub Committee showing actual and projected expenditure.	We understand that monitoring reports are submitted to external clients on a periodic basis, specifically September and January during the year along with an outturn report each June. We therefore recommend mention of External Clients and the frequency of reporting is made.
4.3	The Head of Service shall be authorised to approve transfers between expenditure heads up to a maximum of £25,000. Anything in excess of this shall be reported for approval to the PATROL Adjudication Joint Committee or its Executive Sub Committee.	Whilst the maximum threshold for individual virements and the approval process appears reasonable we consider that members of the Joint Committee should be notified of any adjustments made to expenditure heads at the next available meeting as part of budget monitoring arrangements.

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Section 5: Income		
5.4	The Head of Service shall request a self-certification of Penalty Charge Notices issued from member authorities.	The Agreement for a Parking and Traffic Regulations Outside London Adjudication Committee does not mention when in the year this self-certification should be completed. However we understand this is undertaken following the completion of year end for inclusion within the annual accounts and Adjudicators Annual Report. We consider these timing details should be included in the Financial Regulations.
5.6	The Head of Service shall report all bad debts to the PATROL Adjudication Joint Committee or its Executive Sub Committee for these to be written off.	To help enable members to make informed decisions we suggest the Financial Regulations are amended to ensure the report includes details including causes of the bad debts and recovery actions taken in accordance with debt recovery procedures.
Section 7: Orders and Contracts		
7.1	<p>The Order Procedure includes the required procedures, recording keeping and procurement thresholds. These procurement thresholds are set out below together with the responsibilities of the Head of Service and budget holders in procurement:</p> <p>Up to £2000, a written quotation submitted by a requisitioner and authorised by the budget holder.</p> <p>Between £2,000 and £30,000 – three written quotations submitted by the budget holder.</p> <p>£30,000 to EU threshold – formal tender process to at least three candidates authorised by Head of Service.</p> <p>EU Threshold to £250,000 follow EU Tender Rules initiated by the Head of Service.</p> <p>Only budget holders and staff who have received training in the order procedure may order goods or services.</p>	<p>We consider the Order Procedure referred to here should be included within a separate finance manual to support the financial regulations and referred to as part of a document library at the rear of the financial regulations. The document library should include contact details for the document owner and location for reference purposes.</p> <p>A statement should be added that the Head of Service will ensure staff involved in the procurement process are aware of the financial thresholds and the need for aggregation. Purchases of the same service or supply should not be so split up during a year that individual purchases fall below procurement thresholds; rather wherever possible purchases should be aggregated so they are let out to greater competition with the aim of achieving better value for money.</p>

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7.2	<p>The Head of Service has the authority to waive these rules (excluding those falling within the EU threshold) where the interests of the PATROLAJC would be best served. Such circumstances would include where there is only one contractor that is able to provide the goods or service or where the need for such goods or services was urgent and the above procedure would be detrimental to the PATROL AJC. The Head of Service shall maintain a record of such decisions and report to the Joint Committee at the earliest opportunity.</p>	<p>Following on from above, the Head of Service should add a statement about the importance of forward planning and market testing to ensure cases of waiver are minimised.</p>
Section 10: Assets		
10.	<p>The Head of Service will ensure that all staff are aware of their responsibility for the security and proper recording of assets under their control. The Head of Service will also ensure that no PATROLAJC asset is subject to personal use by an employee without proper authorisation.</p>	<p>We recommend that reference is made to PATROL's Asset Register and the requirement for all assets over £100 in value to be recorded. The Head of Service should ensure that the Finance Manual includes an Asset Policy which identifies the process for the update and review of the Asset Register, procedures for the use of mobile assets and security arrangements for the transportation of data.</p> <p>We consider that this section could be extended to include reference to PATROL's policy on information security, appropriate usage and data protection. Alternatively these should be included within a separate heading entitled Information Security.</p>
Section 11: Insurance		
11.2	<p>Officers shall give prompt notification to the Head of Service of all new risk or any alterations which may affect existing insurances.</p>	<p>We recommend the details in relation to risk management are expanded to include:</p> <ul style="list-style-type: none"> • approval of the risk register by the Joint Committee. • reference to a risk management policy which identifies the process for reviewing, monitoring, reporting and escalating individual risks. • relevant links with business continuity arrangements.

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Section 12: Internal Audit		
12.1	The Head of Service shall, so far as he/she considers necessary: <ul style="list-style-type: none"> a) agree an audit plan with the internal auditors (currently the Lead Authority's Internal Audit Department) b) Arrange for the internal audit of accounts and financial transactions of the Joint Committee and its officers in accordance with the agreed audit plan. 	The regulations with regard to Internal Audit should be amended to say: 'The Head of Service shall: <ul style="list-style-type: none"> • agree an audit plan on an annual basis with the internal auditors (currently the Lead Authority's Internal Audit Section); • arrange for the review of the internal control framework of the Joint Committee and its officers in accordance with the audit plan; and • ensure Internal Auditors have rights of access to such records and explanations as they require to complete work undertaken.'
Section 13: External Audit		
13.1	The Joint Committee will be asked to approved the recommendation that the Auditors appointed by the Audit Commission to the Lead Authority also undertake the audit of the Joint Committee's annual accounts.	We would suggest that the External Auditors are consulted on this section and also recommend that a statement regarding the rights of access to information for external audit purposes is included.
Section 14: Petty Cash		
14.1	The Head of Service shall make such arrangements as he/she considers necessary for defraying petty cash and other expenses by means of an imprest system.	We understand that PATROL do not currently hold petty cash, however we support its inclusion within the regulations. We suggest reference is made to the introduction of a procedure document to be agreed with the Joint Committee and Lead Authority should a petty cash imprest system be introduced.
Section 15: Gifts and Hospitality Register		
15.1	A register is held for the purposes of recording gifts and hospitality.	It is our opinion that as a minimum this should be expanded upon to refer to a documented procedure which identifies and describes the process for recording, reviewing and controlling gifts and hospitality. Alternatively this information should be included within the financial regulations. There is no mention of declarations of interest for either officers or

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		members, within the draft financial regulations. This is important to help ensure transparency and avoid conflicts of interest. We would suggest that advice is sought from Legal Services within the Lead Authority as to the wording/content of declarations.
Section 17: Anti Fraud, Anti Corruption and Whistleblowing		
17.1	Compliance with these financial regulations is supported by policies and procedures in respect of the anti-fraud, anti-corruption and whistleblowing.	Details as to where policies and procedures in relation to anti-fraud, anti-corruption and whistleblowing can be found should be included here. In addition to this, contact details should be provided for the Internal Auditors, Audit Commission and Local Government ombudsman.
Section 18: Document Retention		
18.1	All financial documents will be retained for a period of six years in addition to the current year.	We would recommend you obtain advice and guidance from Legal Services in relation to this area to ensure the correct retention periods for the different types of documentation are reflected within the Financial Regulations. Retention periods vary. Some types of documentation e.g. for contracts may have to be retained for longer than six years; some for as few as two (after the year end).