

**EXETER CITY COUNCIL  
AUDIT AND GOVERNANCE COMMITTEE**

**Internal Audit Summary of Work Completed  
July to September 2013/14**

Audit Area	Summary
<p>Main Accounting 2012/13 (Year end)</p> <p>Assurance rating: Good ★★★★★</p>	<p>This audit is carried out in two parts. The first part is usually undertaken in July/August and includes a review of budget setting process for the forthcoming year and VAT. The second part is undertaken after closedown of the accounts to enable the year end processes to be reviewed and to ensure that transactions from the whole year are tested. This audit includes a review of the accuracy of financial records, journals and internal transactions, suspense and holding accounts, bank reconciliations, capital accounting and final accounts.</p> <p>A total of 1 medium risk and 4 low risk recommendations were made as a result of the audit, all of which were accepted by management. The medium risk finding was in respect of the accuracy of the asset register held and the resulting recommendation was that Finance should review the way in which they record information about the asset register and identify a method which is more robust and less prone to inadvertent changes. Acting Assistant Director Finance advised that it is intended to implement the Fixed Asset module of EFINS (the Accounting system) by March 2014.</p>
<p>Creditor Duplicate Payments 2012/13</p> <p>Assurance rating: Good ★★★★★</p>	<p>A matching exercise was conducted to identify duplicate payments. It did not test to see if our suppliers were invoicing us twice for the same items on different invoices as this is to be tested in Autumn 2013.</p> <p>For the period 01/04/12 to 31/03/13, 22 duplicate payments were identified to a value of £2392, for which refunds have now been obtained.</p> <p>A total of 4 medium risk and 2 low risk recommendations were made as a result of the audit, all of which were accepted by management. The medium risk findings all relate to human errors and Finance have issued reminders to staff about the importance of accuracy.</p>
<p>HB Subsidy 2012/13</p> <p>Assurance rating: Good ★★★★★</p>	<p>This audit sought to provide assurance that housing benefit applications had been processed in accordance with Housing Benefit subsidy regulations during 2012/13. A total of 1 high risk and 3 medium risk recommendations were made of which all but one medium risk recommendation were accepted. The high risk finding relates to incorrect benefit entitlement calculations.</p>
<p>Debtors 2012/13</p> <p>Assurance rating: Fundamental Weakness ★</p>	<p>This system has been identified to have a fundamental weakness and details are included in the main report.</p>
<p>External Funding and Grants</p> <p>Assurance rating: Good ★★★★★</p>	<p>The Council receives a number of different grants and external funding sources and an audit of these was conducted. The only matters arising related to a lack of awareness by some managers regarding specific grant conditions, although it should be noted that no conditions were broken. An email has been sent to staff to remind them to ensure that they familiarise themselves with the conditions of any grant income they are responsible for.</p>

<p>Main Accounting 2013/14 (Budget setting and VAT)</p> <p>Assurance rating: Good ★★★★★</p>	<p>This audit is now carried out in three parts. This is the first part for 2013/14 accounts and checks the budget setting process and, for the first time this year, the management of VAT. The second part of the testing will take place in January 2014 and the third part, relating to the closure of the 2013-14 accounts will take place in June 2014.</p> <p>A total of 1 medium risk and 2 low risk recommendations were made as a result of the audit, all of which were accepted by management. The medium risk finding was in respect of staff duties not being regularly rotated to other members of staff and the resulting recommendation was that the duty of updating the Collaborative Planning module is regularly rotated amongst Finance staff to ensure expertise is spread throughout the team. Acting Assistant Director Finance advised that the team is about to be restructured and this will be implemented as part of the restructure.</p>
<p>Facilities Management - Guildhall Private Hire</p> <p>Assurance rating: Some improvement required ★★★</p>	<p>Upon the request of the Corporate Manager Democratic and Civic Support, when planning the 2013/14 audit work, a review of the Guildhall private hire was conducted.</p> <p>A total of 8 medium and 3 low risk recommendations were made as a result of the audit and all but one of the recommendations were accepted. Medium risk recommendations relate to hire fees, use of electronic diary/ booking system and streamlining income receipt procedures.</p>
<p>National Fraud Initiative 2012/13</p> <p>Assurance rating: Good ★★★★★</p>	<p>Since 1996 the Audit Commission has run the National Fraud Initiative (NFI), an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. This includes police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.</p> <p>Any matches identified are referred back to the relevant local authority to investigate and Internal Audit administers the returned data matches on behalf of Exeter City Council. All of the matches identified were investigated and none were found to be significant.</p> <p>During the exercise it was noted that the Council Tax Section did not provide any data to the Audit Commission for them to interrogate and identify any potential fraudulent single occupier discount claimants, therefore, it was recommended that the Council conducts it's own exercise in the near future. It was noted that that from a cost perspective Exeter City Council has to bear the cost of this exercise, however, any fraudulent claims would net the council only 18% of any additional monies collected, with Devon County Council netting the majority of the additional income. Consideration should be given to requesting Devon County Council to contribute, if not fully fund, any such exercise.</p>
<p>Housing – Right to Buy</p> <p>Assurance rating: Some improvement required ★★★</p>	<p>Right to Buy gives eligible people who live in council properties in England the right to buy their home at a discount (subject to all conditions being met). The scheme is open to people who are secure tenants of a local council and who have spent at least 5 years as a public sector tenant. The audit included a review of Right to Buy applications, eligibility, valuation, discounts, sales (including leasehold properties), records and reconciliations.</p> <p>A total of 1 high risk, 6 medium risk and 7 low risk recommendations were made as a result of the audit, all of which were accepted by management. The 1 high risk findings was in relation to an incorrect calculation of the applicant's qualifying period resulting in an incorrect calculation of the discount awarded. The applicant was awarded £15,120 too much discount. Legislation regarding the calculation of an applicant's qualifying period is complex and on this occasion was not interpreted correctly. A number of recommendations were made including:</p> <ul style="list-style-type: none"> <li>• providing further training to staff involved in the process on the legislation</li> <li>• that calculations are checked by a second employee</li> </ul>

	<ul style="list-style-type: none"> <li>• clarification should be sought from Legal Services if there is any doubt over how qualifying periods should be calculated</li> </ul>
<p>Welfare Support Payments</p> <p>Assurance rating: Some improvement required ★★★</p>	<p>From 1 April 2013, Exeter City Council, became responsible for administering a scheme of local welfare support (LWS) via a funding agreement with Devon County Council. This is an interim arrangement for a period of two years. The council has signed a partnership agreement with Devon County Council which specifies the agreed terms, the distribution of local welfare support.</p> <p>The Devon Local Government Steering group have specified that the local welfare support scheme is intended to achieve three strategic outcomes:</p> <ul style="list-style-type: none"> <li>• Increased self-reliance and resilience</li> <li>• Quick and effective support for those with high priority needs</li> <li>• Help for people to establish themselves in, or remain in the community</li> </ul> <p>The audit sought assurance that the council was complying with the terms of the partnership agreement and to review the effectiveness of the internal controls in place.</p> <p>A total of 8 medium risk and 2 low risk recommendations were made. All recommendations have been accepted. The medium risk recommendations relate to the introduction of password protection for certain data sets, checking for previous applications, reconciliation of Co-Op vouchers issued, accurately recording payments made on the relevant decision sheet and reconciling total expenditure.</p>
<p>Bereavement Services</p> <p>Assurance rating: Good ★★★★★</p>	<p>The Council currently has three cemeteries, Higher Cemetery located in Heavitree, Exwick Cemetery and Topsham Cemetery. Each of the cemeteries offer full burials, burial of ashes, a non-denomination chapel and a range of memorial options.</p> <p>The audit included a review of burial services, renewal of exclusive rights and memorials, arranging a burial service or memorial, installation and checking of memorials and banking of income. A total of 3 medium risk and 4 low risk recommendations were made all of which were agreed by management.</p>
<p>Markets and Halls</p> <p>Assurance rating: Good ★★★★★</p>	<p>The Council operates two event venues, the Corn Exchange and the Matford centre.</p> <p>This audit reviewed the internal controls and processes in place for the management of both. A total of 2 medium and 4 low risk recommendations were made. All but one medium risk recommendation were accepted by management.</p>
<p>Leisure Contract</p> <p>Assurance rating: Good ★★★★★</p>	<p>Parkwood Leisure was awarded a 10 year contract to operate all council owned leisure facilities with effect from September 2010. The main responsibility of the contractor is the successful management, maintenance and operation of the facilities in line with the Council's corporate vision and priorities for the service. The contractor has to promote and encourage the widest use of the facilities by providing a substantial and varied programme of activities at the each of the sites, designed to attract customers from all age groups, abilities, ethnic groups and social classes.</p> <p>The scope of the audit included a review of the service provider's compliance with the terms of the contract, payments under the contract, performance measurement and the requirement for Parkwood Leisure to implement a service improvement plan. A total of 6 medium risk and 3 low risk recommendations were made, all of which were accepted by management.</p>
<p>Land Charges</p>	<p>Land charges / Local Authority Searches form part of the conveyancing process when buying and selling houses. Land charges</p>

Assurance rating:  
Good ★★☆☆

/ Local Authority Searches are designed to ensure that purchasers of properties are not caught unawares by obligations on those properties. Searches are submitted by solicitors to the Council to enquire what restrictions etc there are on a particular property.

The audit reviewed the controls and processes in place. A total of 1 medium and 2 low risk recommendations were made, all of which were accepted by management. The medium risk finding related to document retention.