

**EXETER CITY COUNCIL  
AUDIT AND GOVERNANCE COMMITTEE**

**Internal Audit Summary of Work Completed October to December 2014**

Audit Area	Summary
<p><b>Main Accounting 2014-15 Part One – Budget Setting</b></p> <p>Assurance rating: Good ★★★★★</p>	<p>The Main Accounting system is the collective name given to a number of processes such as budget setting and control, maintenance of financial records, reconciliations, VAT control, capital accounting and year end processes.</p> <p>The Main Accounting audit is completed in three sections. This is the first of the three sections and checks the budget setting process and the management of VAT.</p> <p>The objectives of this audit were to ensure that processes and controls are in place that allow for:</p> <ul style="list-style-type: none"> <li>a) the annual budget setting task to be undertaken in a structured manner</li> <li>b) VAT records to be maintained accurately and VAT returns to be submitted in accordance with the HMRC statutory requirements</li> </ul> <p>There were no issues arising from the testing carried out in this audit. However, there are a number of agreed recommendations that are still outstanding from previous audits and on that basis, an 'Excellent' opinion is not appropriate and it is considered that an audit opinion of 'Good' is more accurate. This is based on the number of medium and low risk agreed recommendations that are still outstanding</p>
<p><b>Creditors</b></p> <p><b>Quarter 1</b></p> <p>Assurance rating: Good ★★★★★</p> <p><b>Quarter 2</b></p> <p>Assurance rating: Good ★★★★★</p>	<p><b>Quarter 1</b> – the scope of this audit included a review of the following areas:</p> <p>Policies and procedures – reviewing policies and procedures to ensure that they are current and readily available to staff and that there is a training plan in place for employees.</p> <p>System Access – reviewing the process for removing EFIN system access when either the employee leaves, or transfers to another role which does not require similar system access rights</p> <p>Invoice checks - reviewing invoices to ensure that they quote all of the relevant information, are arithmetically correct, that VAT has been correctly accounted for and that the invoice has not been paid twice</p> <p>Payments - checking that the amount paid agrees to the value of the invoice. The testing also reviewed the BACS transmission process</p> <p>A total of 5 medium and 3 low recommendations were made, all of which were agreed by management.</p> <p><b>Quarter 2</b> – use of the Council's corporate credit card was reviewed and the scope of the audit included:</p> <ul style="list-style-type: none"> <li>a) reviewing all of the policies and procedures that cover the use of the corporate credit card</li> </ul>

	<p>b) ensuring that corporate credit card holders are fully aware of their responsibilities as a card holder  c) selecting and testing a sample of credit card transactions against the policies and procedures</p> <p>A total of 2 medium and 5 low recommendations were made, all of which were agreed by management.</p>
<p><b>Treasury Management</b></p> <p>Assurance rating:  Good ★★★★★</p>	<p>The Treasury Management (TM) function has responsibility for the management of the Council's cash flow and investments, its banking, money market and capital market transactions, the effective control of the risk associated with those activities and the pursuit of optimum performance consistent with those risks.</p> <p>The Council is required to have a Treasury Management Strategy based on the requirements of the DCLG's guidance on local authority investments. According to the government guidance the core principles that local authorities should follow when investing money are:</p> <ul style="list-style-type: none"> <li>• to make the deposits secure</li> <li>• to ensure they have sufficient liquidity for their daily demands</li> <li>• to produce the highest available yield, once the first two considerations have been met</li> </ul> <p>The objectives of the audit were to check that TM policies and procedures meet the requirements of the CIPFA Treasury Management in the Public Services: Code of Practice, that Council policies, procedures and financial regulations are being complied with and to assess the effectiveness of the Treasury Management's (TM) internal controls.</p> <p>A total of 6 recommendations were made (2 medium and 4 low) all of which were agreed by management.</p>
<p><b>People Management</b></p> <p>Assurance rating:  Some improvement required★★★</p>	<p>People management encompasses the tasks of recruitment, management, and providing ongoing support and direction for the employees of an organization. These tasks can include the following: compensation, hiring, performance management, organization development, safety, wellness, benefits, employee motivation, communication, administration and training.</p> <p>The audit included a review of the following areas:  Equal treatment  Recruitment  Working Conditions  Learning &amp; Development opportunities  Employee Relations  Discipline and difficult situations  Cessation of employment  Baseline Security Checks and Vetting  Expenses and Benefits  Cessation of employment by means of redundancy</p> <p>A total of 8 medium and 11 low recommendations were made, all of which were agreed by management.</p>
<p><b>Non-Domestic Rating</b></p> <p>Assurance rating:</p>	<p>Non-domestic Rates are collected by the council on behalf of the government. Under the business rates retention arrangements introduced from 1 April 2013, authorities now retain a proportion on the business rates paid locally, whereas in previous years' business rates collected were paid to the government and then re-distributed by them. It is, therefore,</p>

Some improvement required ★★★

important that the Council:

- identifies and bills as many new properties as possible
- issues the correct amount of reliefs
- collects a high percentage of NDR

The scope of the audit included a review of the process for the identification of new and amended properties, liability and billing, collection and recovery.

A total of 2 high, 5 medium and 4 low recommendations were made, all of which were agreed by management.

The two high risk recommendations related to:

- the identification of new properties –new properties are not being visited to establish completion dates at an early stage and the service is not proactive in identifying new properties/hereditaments. Management advised that this was due to a lack of resources which will be addressed when the service is restructured as provision has been made for one permanent and one temporary visiting officer
- checks on properties receiving empty property relief - properties in receipt of empty property relief have not been visited for in excess of twelve months to check that the properties are still empty. As above, management advised that this was a resource issue. Once the visiting officers are in place, vacant properties will be visited within three months of the vacation date.