

**EXETER CITY COUNCIL  
AUDIT AND GOVERNANCE COMMITTEE**

**Internal Audit Summary of Work Completed & Audit Recommendations Not Accepted by Management  
January to March 2014/15**

**1.0 Internal Audit Summary of Work Completed**

Audit Area	Summary
<p><b>Main Accounting – System Management (14/15)</b></p> <p>Assurance rating: Good ★★☆☆</p>	<p>The objective of this audit was to ensure that processes and controls are in place that allow accurate financial records to be maintained and that any variations from budgets are notified to and agreed by Members.</p> <p>Recommendations were made in respect of 1 high risk, 3 medium risks and 3 low risks identified as a result of the audit, all of which were accepted by management. The high risk finding was in respect of the VAT suspense account and ensuring that VAT invoices are obtained promptly. The medium risk findings were in respect of clearing suspense and holding accounts promptly, dealing promptly with issues arising from the bank reconciliation and issues arising from the reclassification of VAT for trade waste.</p>
<p><b>Creditors Q3</b></p> <p>Assurance rating: N/A</p>	<p>This piece of work focused on a review of the Grant Thornton 'procurement review and grant income' audit report 2012 and check on progress of the agreed recommendations. Some recommendations relating to procurement are still in the process of being fully implemented; however, progress is being made.</p>
<p><b>People Management - Payroll</b></p> <p>Assurance rating: Some improvement required ★★★</p>	<p>The objective of this audit was to check that suitable controls remain in place for the processing of payroll data to ensure that employees are accurately paid in a prompt manner and that all statutory deductions are collected and paid across to the relevant external agencies.</p> <p>Recommendations were made in respect of 7 medium risks and 8 low risks identified as a result of the audit, all of which have been accepted by management. The medium risk findings relate to; starters forms, recording receipt of P45/P46, compliance with the Council's policy on the payment of overtime (e.g. not paying employees on grade 8 and above), reconciliation of suspense and holding accounts, improve awareness of working time directive amongst managers and employees and improve availability of WTD opt-out form.</p>
<p><b>Council Tax</b></p> <p>Assurance rating: Some improvement required ★★★</p>	<p>The objectives of the audit were to test that adequate controls are in place and working effectively within the council tax system. This audit covered new and amended properties, notifications to valuation office, Valuation Office listings, reconciliations, including annual billing reconciliation, amendments to liabilities, discounts and exemptions, council tax support, appeals, setting of council tax, issuing demands, calculations and payments, revisions and suppressions, credits and refunds and collection performance.</p> <p>Recommendations were made in respect of 1 high risk finding, 6 medium risk findings and 11 low risk findings, all of which were accepted by management.</p> <p>The high risk recommendation related to recovery action and monitoring of collection rates (this is also covered in the OVOD</p>

	<p>report see below). The medium risk recommendations relate to following up of expired recovery suppressions, granting of exemptions and discounts and the correct calculation of refunds.</p>
<p><b>One View of Debt (OVOD)</b></p> <p>Assurance rating Significant improvement required ★★</p>	<p>A corporate review of the three main individual debt areas, i.e. Council Tax, Housing Rent and Housing Benefit Overpayments resulted in the areas merging to form the One View of Debt (or OVOD) team, with their Mission Statement being “Maximum contact results in minimum debt” and their purpose defined as “To deal with a customer’s total debt as one, and to help customers get fixed and stay fixed”. The collection of recoverable repairs and Non-HRA debtors also transferred to OVOD.</p> <p>Prior to the formation of OVOD, each individual debt area was focused on debt recovery, however, in accordance with their Mission Statement and Purpose, the focus is now to provide a more individual service to customers.</p> <p>The scope of this audit was to review the combined debt recovery processes, document them detailing the processes and then check that the processes are working well.</p> <p>Recommendations were made in respect of 8 high risk findings, 2 medium risk findings and 7 low risk findings all of which have been accepted by management.</p> <p>The high risk recommendations relate to:</p> <ul style="list-style-type: none"> <li>• Consider increasing the staffing resource to enable OVOD purpose but maintain Council Tax target collection rates</li> <li>• Introduce additional performance measures beyond collection rates to give fruitful measure of performance</li> <li>• Re-introduce the Council Tax reminder schedule to ensure reminders are issued regularly</li> <li>• Consider moving acceptance of telephone payments away from OVOD to another service unit</li> <li>• Improve arrangements for recovery action of special arrangement cases</li> <li>• Monitoring arrangements of suppressed recovery action cases</li> <li>• Better arrangements to collect debts with liability orders</li> <li>• Better enforcement of liability orders</li> </ul> <p>The medium risk recommendations relate to; improvements for recovery of former and current non-HRA tenant debts and improvements in arrangements for invoicing of rechargeable housing repairs.</p>
<p><b>Housing tenants - Homelessness</b></p> <p>Assurance rating Some improvement required★★★</p>	<p>The National Practitioner Support Service (NPSS) is a new service which was set up specifically to develop and administer a framework for providing continuous improvement in front line housing services through the development and delivery of the Gold Standard Challenge.</p> <p>The challenge is a local authority, sector lead peer review scheme designed to help local authorities deliver more efficient and cost effective homelessness prevention services. The challenge follows a 10 step continuous improvement approach that starts with a pledge for local authorities aspiring to ‘strive for continuous improvement in front line housing services’ and culminates in an application for the Gold Standard Challenge.</p> <p>The NPSS has developed toolkits to assist with the process and The Housing Options Manager requested that Audit complete four of the toolkits as a self assessment to help identify areas where improvements could be made in order to gain the gold standard.</p>

	<p>Recommendations were made in respect of 10 medium risk findings and 5 low risk findings. All medium risk findings have been accepted by management.</p> <p>The medium risk recommendations relate to; applicant's supporting documentary evidence, assessments should ascertain the clients preferred options/outcome, maintaining documentary evidence of advice given, ensuring that follow-ups are diary dated to remind, issue of closure letters and a number of recommendations relating to the general quality of data.</p>
<p><b>Risk Management</b></p> <p>Assurance rating Significant improvement required ★ ★</p>	<p><i>Risk management is an essential part of good governance within any organisation and is intended to provide a framework and process that enables an organisation to manage uncertainty in a systematic, effective and consistent way. It supports informed decision making thereby enabling opportunities to be exploited or action to be taken to mitigate or manage key risks to an acceptable level.</i></p> <p>The objectives of the audit were to evaluate the effectiveness of the Council's risk management processes. In order to assess the Council's current risk management maturity level, a 'health check' has been undertaken against the 'Alarm National Performance Model for Risk Management in Public Services' which enables organisations to measure current performance against a recognised achievement standard. It also acts as a catalyst for improved performance and informs assurance in governance terms.</p> <p>The high risk recommendations relate to; improvements in the involvements of member and employee identification of risks, consideration to increase staff resource to risk management to help develop the maturity of the risk management process and provide training to employees in risk management. The medium risk recommendations relate to; allocating responsibility for risk management to a lead officer, communicating risk management to all employees, updating the risk management policy and guidance, implementation of service risk registers, risk identification process, identification and recording of opportunities as well as risks, establishing a budget for risk management initiatives, introducing cost benefit analysis in the risk management process and introducing an information asset register.</p> <p>The majority of recommendations were accepted by management, however, there were 2 medium risk recommendations that were not accepted, these are detailed below.</p>

## 2.0 Recommendations not accepted by management:

### Risk Management Audit Report (3<sup>rd</sup> March 2015, Helen Kelvey)

#### 2.1 Risk Management (medium risk)

Whilst the Council currently has a Corporate Risk Register and an Operational Risk Register these are used to manage risks identified at strategic level, there is no process in place for risk management to be considered at service level. Management of risk has to be undertaken in every function and at every level to ensure that it is effective.

Effective management of service risks has a number of benefits including improved:

- service delivery – increase in number of targets achieved, improved internal controls, added value across service areas

- financial performance – reduced level of fraud, increased capacity through reduction in decisions that need reviewing or revising, improved income generation
- human resources management – reduced staff turnover, absenteeism and stress
- corporate governance and compliance systems – fewer regulatory visits, reduction in legal challenges, increased public satisfaction
- insurance management – reduced cost of premiums and number and level of claims, reduced insurance losses

A recommendation was made that consideration should be given to introducing Service Operational Risk Co-ordinators to support the identification of risks within services and to aid in compiling service operational risk registers. This role would be the link between business units and AD's/SMT and will further support the embedding of RM throughout the Council.

The Corporate Manager Policy, Communications and Community Engagement did not agree with this recommendation and advised that:  
*“This is for ADs to manage within their existing resource allocation”*

## **2.2 Risk Management (medium risk)**

Risk financing is currently not part of the Council's risk management strategy. Risk financing is a continuous activity which involves deciding how to provide financial cover for potential losses associated with identified financial aspects of risks.

A recommendation was made that a budget should be allocated to fund cost-effective risk management initiatives.

The Assistant Director Finance did not agree with this recommendation and advised that:  
*“In the current financial climate, seeking an additional budget would be inappropriate at a time when substantial budget reductions are being undertaken. The Council already receives £7,000 in funding from Zurich Municipal to spend on risk management initiatives.”*