

**EXETER CITY COUNCIL
AUDIT AND GOVERNANCE COMMITTEE**

Internal Audit Summary of Work Completed 01 January to 31 March 2018

Please note that this is a summary of recommendations only, as to include all recommendations made from each audit report in detail would result in a lengthy document. Members may request a full copy of any report once finalised or alternatively meet with the Audit Manager to discuss specific audits further.

Audit Area	Summary
<p>Building Control</p> <p>Assurance rating: Good ★★★★</p>	<p>The principal function of the Building Control Section is the enforcement of the Building Regulations 2010, which are minimum standards for design, construction and alterations to virtually every building. They are developed by the government and approved by Parliament. The local authority has a general duty to see that building work complies with the Building Regulations, unless it is under the control of an approved inspector. Only local authorities have the power to enforce standards if things go wrong.</p> <p>Local Authority Building Control is financed out of fees collected from Developers. The activity is now carried out in open competition with Approved Inspectors from the private sector.</p> <p>Additional fee earning activities include assistance to the Land Charges Section regarding property searches and a consultancy service giving advice about the implications of the Building Regulations to other public authorities.</p> <p>The scope of the audit included a review of the following areas:</p> <ul style="list-style-type: none"> • registration and validation of application • collection of fees • checking of plans and issue of decision notices • site visits • measures • dangerous structures inspections • retention of documents/files <p>The report identified 4 'medium' risk issues for which remedial action was agreed with management</p>
<p>New Homes Bonus</p> <p>Assurance rating: Good ★★★★</p>	<p>The New Homes Bonus (NHB) was introduced in April 2011 and was intended to be a permanent incentive paid in respect of new build, conversions and long-term empty properties brought back into effective use. It is a grant paid to all English authorities in recognition of net additions to effective housing stock in their area. Payments for each eligible property are calculated per home based on the national average Council Tax Band for that home. As the NHB is an enduring incentive, for each net addition the NHB is paid each year for five years (by 2018/19 this will reduce to four years). A flat rate of £350 per year is also paid for each affordable home delivered.</p> <p>The grant is not ring-fenced which means that local authorities are free to decide how to spend it. The Government have</p>

	<p>agreed a set of Principles for the use of the grant that support strategic planning and long term infrastructure. Bonus funds can be spent on either revenue or capital, strategic projects, or placed in a local authority's reserves. Local authorities are expected to consult communities about how they will spend the money, especially in areas where housing stock has increased. There is no time limit on when the funds have to be spent.</p> <p>For 2017/18 the total cumulative new homes bonus due to Exeter City Council was £3,597,202.</p> <p>The agreed scope of the audit included a review of the following areas:</p> <ul style="list-style-type: none"> • calculation of the new homes bonus- including checking: • receipt and allocation of the new homes bonus – checking that: • maximisation of the New Homes Bonus scheme – reviewing the effectiveness of strategies and processes to: • review of financial planning arrangements • performance <p>The report identified two 'medium' risk findings and remedial actions was agreed with management.</p>
<p>Main Accounting</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 Final Accounts (also known as the Statement of Accounts) have to be produced in accordance with proper practices, as set out in the CIPFA/ASAAC Code of Practice on Local Authority Accounting in the United Kingdom and is designed to give a true and fair view of the financial position of the authority at the 31 March 2018. It is the responsibility of the Chief Finance Officer to do this. Alongside the Statement of Accounts, a narrative statement is also published and this provides details of the Council's financial and non-financial performance during the year and also its future financial plans.</p> <p>The scope of the audit included:</p> <ul style="list-style-type: none"> • Policy and planning • Strategic and financial planning • Accounting systems • Budgetary control • Financial and budgetary monitoring <p>The report identified one 'medium' risk finding and three 'low' risk findings and remedial action has been agreed with management.</p>
<p>Income Management</p> <p>Assurance rating: Some improvement required ★★★</p>	<p>The Council collects income from Council Tax, National Domestic Rates, Car Parking, and Housing and Commercial rents. It also generates income through providing other services, such as canal moorings and home call alarm cover.</p> <p>All payment methods are acceptable though the automated means i.e. internet and telephone payments are preferred to cheque and cash payments – internet and telephone payments are preferred as they avoid manual intervention and enable customers to make an immediate payment at any time of the day.</p>

	<p>The scope of the audit included a review of the following;</p> <ul style="list-style-type: none"> • policies and Procedures • system Access Rights • income – general • income – till floats • internal banking – Civic Centre • automated payments • income collected by external organisations on behalf of the Council • reconciliations • security of data <p>The report identified two 'high' risk and five 'medium' risk findings with remedial action agreed by management.</p>
<p>Business Continuity</p> <p>No assurance rating – Interim progress report</p>	<p>No organisation can have complete control over the business environment in which it operates. Every organisation requires a fit for purpose continuity plan and arrangements to recover key business processes following an incident. Such incidents are not restricted to fire, flood or other causes of property damage, it can be caused by industrial action, sudden loss of key personnel, break down in key suppliers (including loss of power or malfunctions of hardware or software). Disruption can also be in the form of cyber-attacks, an increasing concern for many organisations.</p> <p>The Civil Contingencies Act 2004 places a legal obligation upon emergency services and local authorities (defined as "Category 1 responders" under the Act) to assess the risk of, plan, and exercise for emergencies, as well as undertaking Business continuity management. The act also places a duty on local authorities to provide BCM advice and general assistance to local businesses and voluntary sector communities.</p> <p>Business continuity management (BCM) ensures organisation have the ability to maintain their operations, services and functions in the event of disruptive events. It is the management process that helps manage risks that could adversely affect the smooth running of an organisation or deliver of a service thereby preventing the organisation from achieving its goals and objectives.</p> <p>The scope of the audit was to review the progress of implementation of BCM, to confirm the process to date follows the BCM Lifecycle and to assess whether all necessary steps have been taken in the steps completed so far.</p> <p>The report concluded that a significant amount of work has already been undertaken to enable a robust and 'fit for purpose' business continuity management process to be implemented at the Council and a number of key documents have already been drafted following the Business Impact Analysis workshop held in January 2017. However, a number of the documents need to be reviewed and updated with both the outcomes of the workshop and also following the appointment of the new SMB. In addition, further work needs to be undertaken to complete the required set of policies and procedures to provide a comprehensive plan to ensure that the Council is able to maintain its key operation, services and functions in the event of a disruptive event, Once all policies, procedures and processes are in place, these need to be signed off by SMB before being communicated to the rest of the organisation.</p>

<p>ICT Strata – Cyber Security</p> <p>(Report for information only therefore no assurance rating given)</p>	<p>Cyber security is the activity required to protect an organisation’s computers, networks, software and data from unintended or unauthorized access, change or destruction via the internet or other communications systems or technologies.</p> <p>In September 2017 the National Audit Office issued a document “Cyber security and information risk guidance for Audit Committees” which is based on the Governments 10 Steps to cyber security and was supplemented with over-arching questions that address strategic issues and then provide examples of what could be expected to be in place. It also considers some other challenges not covered by the 10 Steps guidance, to cover newer or emerging areas of technology.</p> <p>This document was used to produce a series of questions based on the above guidance to help provide some form of assessment of how well Strata, Exeter City Council’s ICT providers, are meeting the suggested controls.</p> <p>The report concluded that, in the main, the ICT providers have in place the measures and controls suggested. There were 4 issues identified for consideration by management. The findings of the report were also shared with Teignbridge and East Devon District Councils.</p>
<p>Risk Management</p> <p>Assurance rating: Some improvement required ★★★</p>	<p>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.</p> <p>A definition of risk management is “a process to identify, assess, manage, and control potential events or situations, to provide reasonable assurance regarding the achievement of the organisation’s objectives.”</p> <p>The overall objective of this audit was to review and evaluate the effectiveness of the Council’s risk management process and to contribute to the improvement of that process.</p> <p>Risk management within Exeter City Council has improved and evolved since the last audit in 2015 and the majority of the recommendations within the 2015 report have been addressed, the main exception being training. Risk management at a senior level is becoming embedded, however, the review has identified that it is not yet fully embedded within the culture of the organisation at all levels and the use of risk management is very inconsistent across the different services of the Council. This audit has identified a number of potential improvements to address these weaknesses and also includes a recommendation that the outstanding issues from the 2015 report are addressed.</p> <p>Internal audit will be working with services over the next year to assist with the implementation of operational risk registers where they do not already exist and reviewing existing operational risk registers, this will help to embed risk management throughout the organisation.</p>
<p>Partnerships</p> <p>Assurance rating: Good ★★★★</p>	<p>Partnerships are an important part of service delivery and can have important legal, financial and governance implications. The Council recognises the strength and value of effective partnerships in contributing to meeting Council objectives and are committed to building partnerships.</p> <p>However, if poorly managed or not fully understood, involvement in partnerships can give rise to financial liabilities, be time consuming, costly and ineffective.</p>

	<p>The overall objective of this audit was to review the adequacy and effectiveness of the system of internal controls designed to manage and mitigate financial and non-financial risks relating to partnership working.</p> <p>The report identified three 'medium' risk issues and remedial action was agreed with management for all issues identified.</p>
<p>External Grants & Funding</p> <p>Assurance rating: Significant improvement required ★ ★</p>	<p>Grants</p> <p>The Council sets aside monies from their annual budget to award to organisations to enable them to carry out specific projects or to offset against their day-to-day running costs. The applying organisations will normally have to apply in writing for the grant and provide supporting documentation which will differ according to the type of grant being applied for. All applications are then assessed for compliance against the grant qualifying conditions and where they are successful, are approved at Committee</p> <p>The scope of the audit was to review the:</p> <ul style="list-style-type: none"> • awarding of the grants to ensure that they are being assessed in accordance with the councils' procedures and meet the qualifying criteria • processes in place to ensure that the organisations are spending the monies in accordance with the grant conditions <p>External Funding</p> <p>In order for some of the Councils' project to go ahead, external funding is necessary. In most instances the Council will have to apply for the funding setting out their business case. If successful, these monies will then be used to fund the specific project. In most instances there are conditions attached to the awarding of the funding and these will be documented in the contract.</p> <p>The scope of the audit was to check that Finance are:</p> <ul style="list-style-type: none"> • aware of what external funding is expected before it is received • provided with copies of the conditions attached to the external funding so that they can ensure compliance as part of their budget monitoring conditions <p>The report identified two 'high' risk findings and nine 'medium' risk findings and remedial action was agreed with management. One of the 'high' risk issues was addressed immediately, the remaining 'high' risk issue is being addressed through the Community Grants review programme taking place under the leadership of the Director (JY)</p>
<p>Housing Benefit Subsidy</p> <p>Assurance rating: Good ★★★★</p>	<p>The DWP pays authorities subsidy equal to their 'qualifying expenditure' on housing benefit (HB). Correctly paid HB qualifies for 100% subsidy, however, to encourage authorities to monitor and control costs, certain areas of benefit expenditure are penalised. These include certain overpayments and certain high eligible rents. Authorities can also fail to receive subsidy if they cannot provide the necessary information and evidence to support their claims.</p> <p>The current projected amount of Housing Benefit subsidy to be paid out at the end of the 2017/18 financial year is £35,769,936.</p>

	<p>The scope of the audit included a review of the following areas:</p> <ul style="list-style-type: none"> - supporting documentation - duplicate claims - start date of claim - evidence of identification, national insurance number and date of birth - evidence of liability, residency, income and rent payable - calculation of benefit (including checking that all applicable income was included, income was reduced by applicable disregards, the correct applicable amounts were determined and the correct figures for rent and council tax were used) - notification letters <p>The auditor concluded that there had been a reduction since the last audit of percentage cases found where entitlement to benefit was incorrectly calculated and as a result, the claimants over or underpaid i.e. entitlement error rate 2016/17 audit = 7.5%, 2017/18 audit = 3.12%. This may be as a result of the continued checking of assessments by senior assessors and the additional training/advice provided where issues are identified.</p> <p>The report identified five 'medium' findings and remedial action was agreed by management.</p>
<p>Council Tax</p> <p>Assurance rating: Some improvement required ★★★</p>	<p>Council tax is the main source of locally-raised income for local authorities. Council tax was introduced in April 1993 and the amount of council tax payable on a property depends on;</p> <p>a) the council tax band to which it is allocated (Band D council tax is the standard measure of council tax with all of the other Bands set as a proportion of the Band D)</p> <p>b) the number of liable adults in the property (the levy is based on the property being inhabited by two liable adults with reductions allocated due to discounts, exemptions or local council tax support schemes)</p> <p>For the 17/18 year (figures produced in March 2017), there were 55,827 properties for the Exeter billing authority area with a collectable debit of £82,675,883</p> <p>The scope of the audit included a review of the following areas;</p> <ul style="list-style-type: none"> • New and amended properties • Notifications to and from the Valuation Office (VO) • Determination of liability, calculations and payments • Exemptions • Issuing demands • Revisions and suppressions • Reconciliations <p>The report identified seven 'medium' risk findings and remedial action was agreed with management.</p>

<p>Non-Domestic Rating</p> <p>Assurance rating: Some improvement required ★★★</p>	<p>Business Rates are a tax on business properties such as shops, offices, factories, pubs, masts and advertising hoardings and is the businesses contribution towards the cost of local services. The tax is set by the government and is based on the 'rateable value' of the property.</p> <p>Up until April 2013 all of the income collected was paid to central government who then re-distributed the monies in the form of grants to fund local services. Since April 2013, councils have only paid a percentage to central government retaining the remainder to allocate to services as best fits. However, with effect from April 2018, Exeter City Council is taking part in a pilot scheme whereby 100% of the income collected is retained and have full control over where the monies are allocated.</p> <p>For 2017/18, an amount of £79,060,355 for Business Rates was collected against a target of £79,498,027.(98.5%)</p> <p>As per the 2018 debt raising reconciliation, ECC has 5,078 Business Rates properties with a total rateable value of £196,113,478. This is split;</p> <ul style="list-style-type: none"> • Full Charge - £186,973,143 • Empty/exempt/void - £9,140,335 <p>The scope of the audit included a review of the following areas:</p> <ul style="list-style-type: none"> • New & amended properties • Reliefs & exemptions • Bill and Recovery Suppressions • Income collection • Recovery action • Write-offs • Reconciliations <p>The report identified six 'medium' risk findings and remedial action was agreed with management for all findings.</p>
<p>Payments & Collections</p> <p>Assurance rating: Good ★★★★</p>	<p>The Payments & Collection Team oversees the recovery of council tax, housing rent, housing benefit overpayments, former tenant and rechargeable repair debts.</p> <p>The team is split into three sections;</p> <ul style="list-style-type: none"> • Single debt team – deal with the collection of council tax arrears • Multi debt team – deal with the collection of all of the other debts, plus those debtors associated council tax arrears • Payment team – deal with payments and unpaid items for the above debtors <p>Where debt recovery is proving difficult, the teams have the option to refer the case to Enforcement Agents for them to attempt to obtain payments direct from the debtors.</p> <p>The scope of the audit included a review of the following;</p>

	<ul style="list-style-type: none"> • Debt Figures • Recovery action • Debt Reporting <p>The report identified five 'medium' risk findings and remedial action was agreed with management for all findings.</p>
<p>Fleet Management</p> <p>Assurance rating: Good ★★★★</p>	<p>The Council has a fleet of 426 vehicles, implements, plant and trailers. This is managed by the Council's Fleet Manager. All items of fleet are recorded and managed through the fleet database and manual files held by the Fleet Manager. The purpose of the audit was to provide assurance that the Council's fleet is being managed efficiently and effectively. The scope of the audit included:</p> <ul style="list-style-type: none"> • Policy and strategy • Fleet procurement and disposal • Maintenance and inspections • Monitoring • Driver education • Induction practices • Insurance <p>The report identified two 'low' risk findings only and remedial action was agreed with management.</p>
<p>Health & Safety –</p> <p>Assurance rating: Some improvement required ★★★</p>	<p>The Health & Safety at Work Act is the primary piece of legislation covering occupational health & safety in Great Britain.</p> <p>The Council's Statement of General Policy in respect of Health & Safety at Work is dated September 2016 and is to be reviewed within 3 years or sooner if required.</p> <p>This policy is currently being reviewed by the Health & Safety (H&S) Committee, whose members consist of the 4 Directors, the Chief Finance Officer, the City Solicitor, the Environmental Health & Licensing Manager, the Principal H&S Officer and a representative from UNISON, the public services union.</p> <p>The scope of the audit included a review of the following areas;</p> <ul style="list-style-type: none"> • Corporate H&S Governance • Contractor and Agency Worker H&S awareness • Risk assessments for 3rd party events held on council property • Fire Risk Assessments and associated checks at council properties <p>The report identified eight 'medium' risk findings and remedial action was agreed with management for all findings.</p>
<p>Markets & Halls – Corn Exchange</p> <p>Assurance rating: Good ★★★★</p>	<p>Exeter Corn Exchange is the Council's directly managed multi-purpose events venue in the City Centre which has a maximum capacity of 500. It is part of Markets and Halls which also encompasses the Matford Centre and Markets Management. The Facilities and Markets Manager has overall responsibility for Markets & Halls as well as Tourism Facilities. He is also responsible for programming and setting hire fees for the venue.</p> <p>The venues programme is a mix of ticketed events (either promoted in partnership with a third party or promoted solely by the venue) or straight venue hires (events for which tickets are not sold to the public). During 2016/17 there were 119 ticketed</p>

events and 237 venue hires with the total income being £821,000 (including the bar and food operations) providing a surplus in excess of expenditure of £46,000.

The scope of the audit involved selecting and examining a sample of bookings from the period 01.01.17 to 31.12.17 and also included a review of the following areas:

- events and bookings
- management of income
- management of expenditure
- stock control
- general service management (including contacts management, risk management, performance management and staff training)

The report identified five 'medium' risk findings and remedial action was agreed with management for all findings.