

**EXETER CITY COUNCIL**  
**SCRUTINY COMMITTEE - RESOURCES**  
**23 MARCH 2011**

**INTERNAL AUDIT WORK – 2nd HALF-YEAR 2010/11**

**1. PURPOSE OF THE REPORT**

- 1.1 To advise the Committee of the work undertaken by the Internal Audit Unit.

**2. BACKGROUND**

- 2.1 This Committee is responsible for considering the work undertaken by Internal Audit as part of the overall probity checking and systems testing of the Council. The 2010/11 Audit Plan was approved at this Committee's 24 March 2010 meeting.

**3. OVERALL PERFORMANCE**

- 3.1 All fundamental and non-fundamental systems will be audited in accordance with the 2010/11 audit plan.

**4. WORK UNDERTAKEN**

- 4.1 Internal Audit's objective is to examine the Council's financial and non-financial systems to check that there are adequate internal controls in place to prevent loss due to frauds, errors and inefficiency, and due attention is paid to Corporate Governance and risk management. A summary of the fundamental systems audits completed to date is provided below.

**Findings**

- 4.2 **Payroll** – one High and 12 Medium risks were reported, some of which concerned the way in which payroll procedures were operated within the services rather than by the Payroll Section. All of the recommendations were accepted other than two Medium risks which will be considered as part of a procedures review being undertaken by Human Resources.

Based upon the testing and the response of management in accepting the recommendations, once the agreed controls have been introduced the system's internal controls will remain good.

- 4.3 **Council tax** – this audit is broken down into sub-systems, two areas were audited:

1) valuation, liability and billing – two High and four Medium risks were reported, all of the recommendations were accepted

2) collection, refunds and recovery – ten Medium risks were reported, all but two of the recommendations were accepted. The reasons for non-acceptance were both staff resources issues.

Based upon the testing and the response of management in accepting the recommendations, once the agreed controls have been introduced the system's internal controls will be good.

- 4.4 **National non-domestic rating** – eight Medium risks were reported, all but two of the recommendations were accepted. The reasons for non-acceptance were both staff resources issues.

Based upon the testing and the response of management in accepting the recommendations, once the agreed controls have been introduced the system's internal controls will be good.

- 4.5 **Housing benefits** – this audit is broken down into sub-systems, the areas audited were:

1) assessment of claims – eight Medium risks were reported, all but one of the recommendations were accepted. The reason for non-acceptance was that current informal monitoring procedures (of service level agreements) were considered adequate.

2) fraud prevention and detection – five Medium risks were reported, all of the recommendations were accepted.

3) subsidy claim - quarterly audit checks are undertaken (due to the value of the claim) to test that cases have been correctly classified and calculated for subsidy purposes

Based upon the testing and the response of management in accepting the recommendations, once the agreed controls have been introduced the system's internal controls will remain good.

- 4.6 **Treasury management** – five Medium risks were reported, all of the recommendations were accepted.

Based upon the testing and the response of management in accepting the recommendations, once the agreed controls have been introduced the system's internal controls will remain good.

- 4.7 **Housing** - this audit is broken down into sub-systems, the areas audited were:

1) anti-social behaviour – nine Medium risks were reported, all but one of the recommendations were accepted. The reason for non-acceptance was that due to the case load, staff needed flexibility to assess the required level of response.

2) Extralet – 11 Medium risks were reported, all of the recommendations were accepted.

Based upon the testing and the response of management in accepting the recommendations, once the agreed controls have been introduced the system's internal controls will be good.

- 4.8 **Telephones and utilities** –

a) during an examination of invoices as part of a creditors' audit, it was noted that the Council was incurring administrative charges on each invoice that was raised by the supplier. Work is currently being undertaken with the Contracts Unit in order to consolidate the individual bills to avoid the suppliers' admin charges, but also to make savings by reducing the work involved in processing individual invoices for payment each quarter.

b) the audit also identified telephone lines that did not appear to be still required, for example, telephones in playing fields as usage had dropped dramatically (due presumably to the ever increasing use of mobile 'phones), the removal of 13 will result in savings of about £1,500 per year. A further saving of some £3,900 will result in replacing landline telephones with mobile 'phones for those staff who may need to attend out-of-hours call-outs to deal with, for example, an emergency.

**4.9 Computers –**

- a) the Systems Based Auditing Control Matrices Series 8 'Information Technology Governance' written by the Council's Internal Auditors were published by CIPFA in mid-December 2010. As at 31 December 136 copies had been sold which has generated over £18,000 in royalty income for the Council, with further sales anticipated during 2011.
- b) work is being undertaken with IT to ensure that the Council meets the Payment Card Industry's (PCI) security requirements to continue being able to accept electronic payments
- c) work is being undertaken with IT to ensure the Council complies with the Government's secure network (CoCo) requirements

**5. RECOMMENDATION**

- 5.1 That the Internal Audit Report for the 2<sup>nd</sup> half-year of 2010/11 be received.

**HEAD OF AUDIT**

**CORPORATE SERVICES DIRECTORATE**

**Local Government (Access to Information) Act 1985 (as amended)  
Background papers used in compiling the report: None**