

EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 21 NOVEMBER 2012

INTERNAL AUDIT WORK – 1st HALF-YEAR 2012/13

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 2012/13 Audit Plan was approved at this Committee's 21 March 2012 meeting.

3. WORK UNDERTAKEN

- 3.1 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

- 3.2 **Creditors** – an audit was carried out to identify any duplicate payments made to suppliers during 2011/12. Thirty three duplicate payments were identified totalling approximately £26K. Of these, 17 payments totalling approximately £23K had already been identified during the year and refunds obtained from the suppliers. 16 payments totalling approximately £3K had not been previously identified and action has now been taken to recover the money.

In 25 of the 33 cases, the invoice numbers had been input incorrectly, in 8 cases a different supplier number had been chosen for each invoice resulting in them bypassing the system control that prevents duplicates from being processed.

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

- 1) Private Sector Leasing (PSL) – the audit included a review of the following areas:
 - procurement of new properties
 - nomination and sign up of new tenants
 - payments to landlords
 - reactive repairs and recharges
 - void properties and repairs
 - re-charges to tenants and landlords
 - recovery

The audit was completed and the draft report issued in October, therefore, the results of this audit will be reported at this Committee's March 2013 meeting.

2) Housing Tenancy Fraud - the audit included a review of the following areas:

- policies and procedures
- prevention of tenancy fraud
- raising public awareness and encouraging report
- reporting of tenancy fraud
- detection of tenancy fraud
- authorised subletting and lodgers
- investigation, enforcement and sanction
- reports to management and members on unlawful subletting and tenancy misuse

Whilst undertaking the audit, it was found that the Neighbourhood Management Officers are currently undertaking a tenancy audit (commenced January 2012) on 193 council properties. The main aim of the audit is to identify the potential level of tenancy fraud in the council's whole stock. In view of this, the audit also included a review of the processes used to carry out the tenancy audit. Twenty four Medium risks were reported, twenty one of which were accepted. Based upon the testing and the response of management in accepting the recommendations, once the agreed controls have been introduced this sub-system's internal controls will be good.

3.4 **Housing benefits** – this audit is broken down into sub-systems and an audit of the subsidy claim was undertaken.

The housing benefits subsidy claim for 2011/12 is over £46 million, therefore, even a 1% reduction (£460,000) in the payment due to erroneous data, would have a significant financial affect on the Council. Accordingly, in addition to the checks undertaken by Benefits' staff, quarterly audits are undertaken on samples of data input to check their accuracy and identify any ongoing problems so that they can be immediately addressed.

The audit reviewed the subsidy claim for:

Q3 and 4 2011/12 – 2 High risks and 3 Medium risks were reported. The recommendations in respect of the High risks and 1 of the Medium risks were agreed.

Q1 and 2 2012/13 - the audit was completed and the draft report issued in October, therefore, the results of this audit will be reported at this Committee's March 2013 meeting.

3.5 **Computers** – this audit is broken down into sub-systems. An audit of the Service Desk was undertaken which included a review of the following areas:

- service desk framework and procedures
- information recording
- how requests are schedules, allocated, prioritised and processed
- monitoring of the effectiveness of the system
- work programs in place to prevent problems and incidents occurring

The audit was completed and the draft report issued in August, however, immediately following the issue of the draft report, the manager went on long term sick. He has now returned to work and the report is due to be finalised shortly therefore, the results of this audit will be reported at this Committee's March 2013 meeting

- 3.6 **Main accounting** – 2011/12 (part 2) – the audit included a review of the following areas:
- policies and procedures
 - feeder systems - examining systems that feed into the main financial system to check that the correct data has been received at year end
 - suspense and holding accounts – to ensure payments are paid over promptly and completely
 - bank reconciliations - to check the balances match the final accounts.
 - capital accounting - examining procedures to check valuations were completed using appropriate guidance and that balances shown in the final accounts reconcile with the asset register
 - final accounts - examining the final accounts to check they were completed on time according to the recommended standards

Five Medium risks were identified, all but one 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 this system's internal controls will remain good.

- 3.7 **Payroll** – the audit was completed and the draft report issued in October, therefore, the results of this audit will be reported at this Committee's March 2013 meeting.

- 3.8 **Tourism Services** – the Council has a tourism service providing the following facilities and services:

- core tourism function which includes managing the Heart of Devon Tourism partnership
- Exeter Visitor Information and Tickets (EVIT)
- Underground passages
- Quay House
- Red coat guided tours

At the request of the Tourism Development Manager an audit was undertaken to check that all the facilities were operating to the correct policies and procedures. Twenty two risks were reported, and all but one 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 this system's internal controls will be good.

- 3.9 **Waterways** – at the request of the Waterways Manager, the audit consisted of:
- undertaking a walk-through of the current processes
 - assessing the level of controls in place
 - recommending alternative ways of working to improve both customer service and service efficiency

The outcomes of the audit then fed into the review of the Waterways terms and conditions being undertaken within the service. Eight High and Medium risks were reported and 18 Low risks, all the recommendations were accepted. Based upon the testing and the response of management in accepting the recommendations, once the agreed controls have been introduced this system's internal controls will be good.

3.10 **Health & Safety** – this audit is broken into sub-systems. Display Screen Equipment (DSE) and Personal Protection Equipment (PPE) & Respiratory Protection Equipment (RPE) audits have been undertaken.

- 1) DSE audit – The Council is committed to meeting the requirements of the Health & Safety (Display Screen Equipment) Regulations 1992, as amended by the Health and Safety (Miscellaneous Amendments) Regulations 2002. In this respect, the Council requires all Display Screen Equipment (DSE) users to undertake training and to complete a DSE assessment annually. The audit consisted of:
 - testing the controls in place to ensure that all qualifying staff have completed a DSE assessment at least annually
 - undertaking a walk-through of the electronic process to check that it works as set out in the procedures
 - reviewing policies and procedures to make sure they are up to date
 - discussing DSE assessment responsibilities with line managers

Sixteen risks were reported and all the recommendations were agreed by management, once the agreed controls have been introduced this system's internal controls will be good.

- 2) PPE and RSE audit – the audit consisted of:
 - identifying type of PPE or RPE that has been issued, to whom and when
 - examining the process for guidance and training of staff
 - checking whether equipment is serviced in accordance with manufacturer's guidance
 - whether checks are undertaken to ensure staff are wearing equipment issued to them

Six risks were reported and all the recommendations were agreed by management, once the agreed controls have been introduced this system's internal controls will be good

4. **PERFORMANCE MONITORING**

4.1 Internal audit is currently working on target to complete the annual audit plan.

4.2 Internal Audit has performance measures in place regarding timescales for issuing reports and audit follow-ups. To date most reports have been issued and audits followed up within the performance targets set, where targets have been missed this has been due to slow responses by the auditees.

5. **RECOMMENDATION**

5.1 That the Internal Audit Report for the 1st half-year of 2012/13 be received.

ASSISTANT DIRECTOR FINANCE

STRATEGIC DIRECTOR