EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES
20 MARCH 2013

INTERNAL AUDIT WORK – 2nd 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   **Housing –** an audit of the Private Sector Leasing Scheme was conducted and 23 high or medium risks were identified. All but 3 of the recommendations were accepted and the audit report is being used to assist with the review of the Housing service. With regard to the 3 recommendations not accepted by line managers, the Assistant Director Housing and Contracts has requested that Internal Audit has further discussions with the managers as part of the audit follow-up and advise her of the managers' responses.

3.3   **Housing benefits** – this audit focused on the system being developed to help customers who present to the Council with a Financial or Housing Problem. Specifically, the audit examined the benefit assessments being carried out by the Redesign Team. At the time of the audit this process was at an experimental or learning stage. The audit identified 8 high or medium risks, the most significant being that, from a sample of 30 new benefit claims, 7 cases (23%) were identified where the entitlement to benefit was incorrectly calculated and claimants were either over or underpaid. The potential subsidy losses could have amounted to £517,083 and if these errors were extrapolated to cover a full year, the loss would be £906,536. However, as these have been identified and corrected before the subsidy claim is submitted the losses have been avoided. All claims assessed by the Redesign Team during this learning stage have since been reassessed.

Based upon the testing and the continuing positive response of management in accepting the recommendations, the system's internal controls are satisfactory.

3.4   **Computers –** an audit of the Council's ICT service desk was conducted and 7 medium risks were identified. All of the recommendations were agreed.

3.5 **Payroll** – an audit of the Payroll system was conducted and 20 medium risks were identified. All but 2 of the recommendations were agreed and for the 2 that were not agreed the manager was able to provide a satisfactory reason for not accepting the recommendation.

3.6 **Council Tax**

1) Valuation, liability and billing – an audit was conducted and 9 medium risks were identified. All but one of the recommendations were agreed and the system's controls are considered to be good.

2) Collections, refunds and recovery – the draft report is about to be issued, therefore, the results of this audit will be reported in the next half yearly report to this committee.

3.7 **Insurance –** the draft report is about to be issued, therefore, the results of this audit will be reported in the next half yearly report to this committee.

3.8 **Treasury Management -** the draft report is about to be issued, therefore, the results of this audit will be reported in the next half yearly report to this committee

3.9 **Main accounting part one budget setting –** the audit did not identify any high or medium risks.

3.10 **NNDR –** an audit of NNDR identified 8 medium risks and all recommendations were agreed.

4. **RECOMMENDATIONS**

4.1 That the Internal Audit Report for the 2nd half-year of 2012/13 be received.

ASSISTANT DIRECTOR FINANCE

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