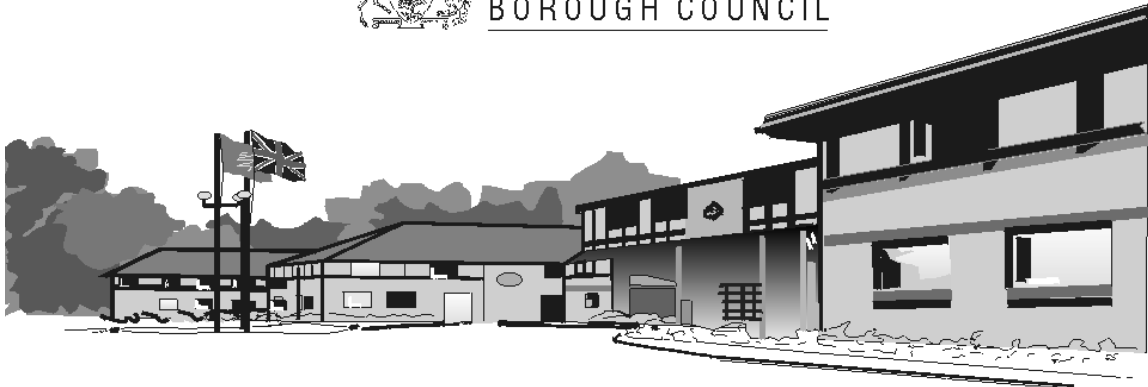




**GEDLING**  
BOROUGH COUNCIL



# INTERNAL AUDIT

# *Report*

*2004-2005*

**Capital**

Key Financial System

Chris Ellis

May 2005

**GEDLING BOROUGH COUNCIL**  
**INTERNAL AUDIT REPORT**  
**KEY FINANCIAL SYSTEM AUDIT**  
**CAPITAL.**

**C O N T E N T S**

	<b>PAGE</b>
1. Introduction.	1.
2. Conduct of the Audit.	1.
3. Executive Summary.	2.
Implementation Plan.	3.

## **1. INTRODUCTION.**

- 1.1 An audit of the system relating to capital has been carried out in accordance with the 2004/05 Audit Plan. The audit concentrated on the area of capital receipts particularly in relation to receipts from sales of houses and housing land.
- 1.2 The audit reviewed the method used to complete and support the quarterly capital pooling receipts returns that support the payments made to the ODPM.
- 1.3 The audit set out to ensure that capital receipts are:
  - Fully and accurately identified.
  - Deductions for admin costs are supported and accurately calculated.
  - Improvements are identified and reduce capital receipts payments to the pool.
  - Poolable elements of receipts and transitional arrangements are accurately applied.

Accountancy are responsible for completing the quarterly pooling of housing capital returns in accordance with instructions provided by the ODPM. Legal department provide details of house and other land and property sales. Housing department provide details of improvements made to sold houses for inclusion in returns. Details of administrative costs are calculated by each department and include overheads on the basis of the amount of time spent on selling the properties/land.

## **2. CONDUCT OF AUDIT.**

- 2.1 The treatment of capital receipts was reviewed against current legislation OPDM guidance and CIPFA guidelines.
- 2.2 The support for the four quarterly returns completed for the 2004-2005 financial year were checked to ensure that the returns were accurately completed. Supporting papers for admin costs were checked for reasonableness and completion certificates in respect of improvement expenditure were checked to ensure appropriateness and accuracy.
- 2.3 The assistance of staff involved in this audit assignment is acknowledged and appreciated.

### **3. EXECUTIVE SUMMARY.**

- 3.1. As a result of the work undertaken during the audit, it was concluded that the system for recording capital receipts and the completion of the quarterly pooling of housing capital receipts return, is well controlled.
- 3.2. However the audit has revealed that allowable deductions totalling nearly £10000 for the 2004-2005 financial year were not included in the claim. This means we have overstated our net capital receipts by that amount and overpaid into the pool by around £1850.
- 3.3 The audit has concluded that the reason for the error is due to a misinterpretation of information rather than the existence of a weakness in control.

### **AUDIT ASSURANCE.**

As a result of the work undertaken during the audit, it was concluded that the system of recording Capital Receipts is well controlled and the majority of controls are satisfactory and well applied.

**IMPLEMENTATION PLAN**

<b>REC (Risk)</b>	<b>RECOMMENDATION</b>	<b>RESPONSIBLE OFFICER</b>	<b>MANAGEMENT COMMENT</b>	<b>IMPLEMENTATION DATE</b>
<b>4.2.2 Med.</b>	It is <b>recommended</b> that greater care is taken by Accountancy Services when reviewing completion certificates to ensure that all allowable expenditure is identified.	Principal Accountant(FP).	Agreed.	Immediate.
<b>4.2.3</b>	It is <b>recommended</b> that Accountancy Services make arrangements to include the omitted expenditure in the claim under the audit process or by a retrospective claim.	Principal Accountant(FP).	Agreed	During Audit Commission Audit or 1 <sup>st</sup> qtr claim for 2005/06.