



# **Annual Audit Plan 2019-20**

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Audit Manager

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## Introduction

The role of internal audit is that of an:

*'Independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'*

(Public Sector Internal Audit Standards 2016 (PSIAS))

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

Internal Audit's main objectives are to:

- provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources
- provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures
- provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes
- provide advice and support to management to enable an effective control environment to be maintained
- promote a counter fraud culture within the Council to aid the prevention and detection of fraud
- investigate allegations of fraud, bribery and corruption

The internal audit plan provides the mechanism through which we can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant stakeholders, to ensure it continues to reflect the needs of the Council. We will continue to report progress against the plan to Audit and Governance Committee quarterly.

We make every effort to work with other assurance providers to minimise duplication.

## Your Internal Audit Team

The Internal Audit Function is provided 'in house' and consists of the Audit Manager and 2 auditors each working 4 days per week, Monday to Thursday.



Helen Kelvey, Audit Manager



Helen Putt, Audit Manager



Davina Blanchard, Auditor



Sandra Please, Auditor

## Conformance with internal auditing Standards

We operate in accordance with the Public Sector Internal Audit standards 2016 (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. The last external assessment was undertaken in October 2014 and, in considering all sources of evidence, the external assessor concluded that:

*'The content of the 2014 self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards presents a true and fair view'.*

**Council Vision**



**TACKLING CONGESTION & ACCESSIBILITY**

We will work with our partners to make Exeter a city where active travel is promoted and where transport is not a barrier to accessing education, jobs, services or social activities and where sustainable means of travel are safer, cheaper, quicker and more convenient than private car ownership.



**PROVIDING VALUE-FOR-MONEY SERVICES**

We will continue to improve the way we deliver services to meet residents' day-to-day needs recognising that financial constraints are placing a premium on efficient and customer-focused services.

**LEADING A WELL-RUN COUNCIL**

To run the council well and deliver our strategy we will ensure effective governance, accountable decision making and good management of our business, assets and people. We will continue to seek opportunities to add value by working in partnership with others.

**BUILDING GREAT NEIGHBOURHOODS**

We will strive to ensure that every resident has a home that is secure, affordable and healthy in a neighbourhood where local services support wellbeing and promote community cohesion.



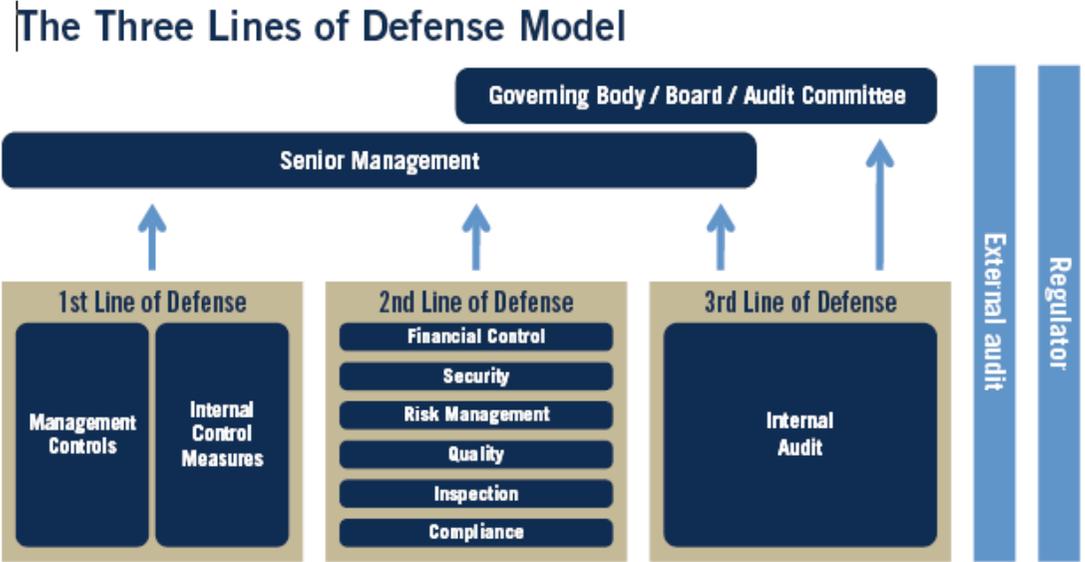
**PROMOTING ACTIVE & HEALTHY LIFESTYLES**

We will strive to make Exeter the most active city in England with a high-quality and accessible built environment and green spaces that encourage active and healthy lifestyles in communities that support wellbeing and reduce social isolation.

**Council Risk**

The Council has a clear framework and approach to risk management. The strategic risks contained in the Corporate Risk Register and assessed by the Council are a key focus of our planning for the year to ensure it meets the organisation’s assurance needs and contributes to the achievement of their objectives. We will monitor the corporate risk register closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

To ensure the effectiveness of an organisation’s risk management framework, the Audit and Governance Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation. The Institute of Internal Auditors endorses the 'Three Lines of Defence' model as a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:



Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*

### **First line of defence**

Under the first line of defence, operational management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks.

### **Second line of defence**

The second line of defence consists of activities covered by several components of internal governance (compliance, risk management, quality, IT and other control departments). This line of defence monitors and facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting adequate risk related information up and down the organisation.

### **Third line of defence**

Internal audit forms the organisation's third line of defence. An independent internal audit function will, through a risk-based approach to its work, provide assurance to the Council's Audit and Governance Committee and senior management. This assurance will cover how effectively the organisation assesses and manages its risks and will include assurance on the effectiveness of the first and second lines of defence. It encompasses all elements of an institution's risk management framework (from risk identification, risk assessment and response, to communication of risk related information).

### **The role of the three lines of defence**

Internal audit is uniquely positioned within the organisation to provide global assurance to the audit committee and senior management on the effectiveness of internal governance and risk processes. It is also well-placed to fulfil an advisory role on the coordination of assurance, effective ways of improving existing processes, and assisting management in implementing recommended improvements. In such a framework, internal audit is a cornerstone of an organisation's corporate governance.

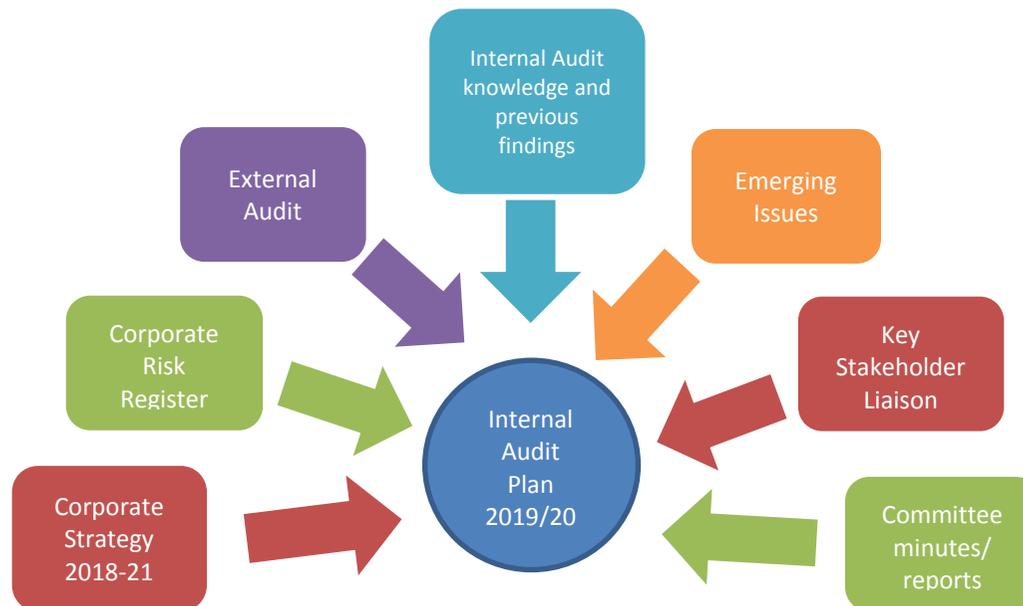
The use of the three lines of defence to understand the system of internal control and risk management should not be regarded as an automatic guarantee of success. All three lines need to work effectively with each other and with the audit committee in order to create the right conditions.

## Developing the internal audit plan 2019/20

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.

We have used various sources of information and discussed priorities for internal audit with the following groups:



## Internal Audit Plan 2019/20

The Internal audit service has 470 days within the plan. Of those days, 138 are fixed days for general administration, follow-ups and other activities conducted by Internal Audit, such as National Fraud Initiative co-ordination, administration of RIPA, review of hospitality and disclosures, Disabled Facilities Grant audit (terms of grant conditions) and Public Sector Internal Audit Standards Peer review. A small amount of time is set aside as a contingency to allow for unplanned work such as frauds. The remaining 332 days will be used for the planned work as detailed below.

The audit risk ratings are calculated using a score against nine different criteria; Audit assurance/perception, reputation/sensitivity, complexity of system, finance, operational impact, inherent fraud risk, staff morale/turnover/change, volume of transactions and other assurance sources. This helps us to determine the frequency of audit and level of coverage required.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
<b>Chief Executive</b>			
<b>Corporate and Support Services</b>			
Corporate Governance	This refers to the rules, practices and processes used to direct and control the organisation.  Risk – legislative risk. Damage to reputation of Council.	High risk	General assurance and to undertake an Assurance Mapping model review.
Risk Management	Systems and processes to manage the Council's risks that could prevent it from meeting its objectives  Risk – financial risks. Failure to meet objectives and purpose	High risk	General assurance work and continue to assist in establishing operational risk registers throughout the organisation to help embed risk management across the Council.
Business Continuity Management	Management of the Council's business continuity arrangements in the event of business disruption.	High risk	Review of the new business continuity arrangements and general assurance work.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
	Risk – Council fails to operate effectively due to business disruption. Damage to reputation.		
Information Governance	<p>The way in which the Council manages its information, including GDPR.</p> <p>Risk – legislative risk, information is not held securely or is misused.</p>	High risk	<p>Follow-up of issues identified in the previous year’s audit and a review against the Information Commissioners Office self-assessment to provide a level of assurance.</p> <p>Review of the management of emails held on the email systems.</p>
Counter Fraud	<p>The arrangements in place to fight fraud against the Council.</p> <p>Risk – financial risk increased risk of fraud against the Council.</p>	Medium risk	A review and update of the Fighting Fraud Locally checklist and to continue to work to find solutions to improve the Council’s resilience against fraud.
Partnerships	<p>The Council’s arrangements to work with other bodies to provide services or working solutions in a joint way.</p> <p>Risk – failure to meet objectives. Financial risk.</p>	Medium risk	General assurance work.
<b>Chief Finance Officer</b>			
Main Accounting	<p>The accounting function of the Council</p> <p>Risk - Financial risk, non-compliance with regulations</p>	High risk	Cyclical coverage of the core financial systems to meet regulatory requirements. We will work with external audit to co-ordinate work as far as possible and avoid duplication.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
Income Management	The management of income to the Council  Risk – financial risk	High risk	As above. Internal Audit work may also be required should the Paris Income management system be replaced during 2019/20.
Procurement	Procurement of goods and services for the Council.  Risk – value for money risk, financial risk	High risk	Review and monitoring of issues arisen from the 18/19 assessment against the National Procurement Strategy. Internal Audit will also provide general advice and guidance as required to assist the new procurement team.
Creditors	Payment of the Councils suppliers of goods and services  Risk – financial risk, risk of fraudulent transactions	High risk	Assisting in a review to streamline the process. Reviews of the use and management of the Corporate Credit cards.
VAT	Management of the Value Added Tax process  Risk – non-compliance with regulations, risk of financial penalties	Medium risk	Review to provide assurance on the compliance with VAT regulations.
Insurance	Management of the Council’s Insurance  Risk – fraudulent insurance claims, inappropriate or insufficient insurance cover, financial risk	Low risk	General assurance work

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
<b>City Solicitor</b>			
People Management (including Payroll)	<p>The management of the Council’s human resource, including Payroll.</p> <p>Risk – financial risk, risk of fraud</p>	High risk	General assurance work and a review of the new self-service system.
<b>Director – Jo Yelland</b>			
Safeguarding	<p>The Council has a legal duty to have proper procedures in place to protect vulnerable adults and children.</p> <p>Risk – legislative risk, Council fails to protect vulnerable.</p>	Medium risk	General assurance work.
Environmental Health	<p>Provision of service for dealing with environmental health issues such as bonfires, noise, sewage pollution etc. Inspections of food premises Provision training e.g. food safety</p> <p>Risk – failure to meet objectives as a statutory function</p>	Low risk	General assurance work including review of income generation from training courses etc.
Health and Safety	<p>Health and Safety is a legislative requirement.</p> <p>Risk – legislative risk, risk of significant financial penalties</p>	High risk	General assurance on compliance taking into account current priorities and concerns raised by the Health and Safety Committee.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
<b>Director – David Bartram</b>			
Car Parks	Provision of car parks within Exeter.  Risk – financial risk, loss of income	Medium risk	General assurance. Review of income management of car parking income.
<b>Director – Bindu Arjoon</b>			
Housing Benefits	Processing and payment of Housing Benefit.  Risk – financial risk, subsidy penalties	High risk	General assurance. This is an area covered in depth by our External auditors, therefore the level of coverage by Internal Audit will be reduced.
NDR	Collection of rates from business properties.  Risk – financial risk, loss of income	High risk	General assurance with emphasis on procedures that maximise income.
Housing Revenue Account	Management of resources to manage, maintain and improve social housing.  Risk – financial and legislative risk	High risk	General assurance focusing on sourcing of private housing accommodation for those in temporary accommodation and the new processes for disabled adaptations.
City Development	This covers the administration of planning, building control, new homes bonus, community infrastructure levy and section 106.  Risk – financial, legislative and reputational	High risk	General assurance and follow-up of previous audit matters arising.
Civic Functions	This covers elections, twinning, mayoralty, civic ceremonials and Member’s expenses.	Low risk	General assurance on income generating areas and expenditure on Civic functions.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
	Risk – financial and legislative/electoral commission risk, failure to maximise income.		