



Annual Report 2018-19

Internal Audit Service

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1. Introduction

Purpose of this report

- 1.1 The Chief Finance Officer, as the S151 is responsible for maintaining an adequate and effective system of internal audit.
- 1.2 It is the responsibility of senior management to establish an appropriate and sound system of internal control that supports the achievement of the Council's objectives and for putting in place arrangements for gaining assurance about the effectiveness of that overall system. A key element of assurance is the overall assurance opinion from the Audit Manager.
- 1.3 The main objectives of the internal control systems are to ensure:
 - compliance with the Council's policies, procedures and directive in order to achieve the Council's objectives
 - high standards of Corporate Governance are achieved and maintained throughout the council
 - that assets are safeguarded
 - the relevance, reliability and integrity of information and the completeness and accuracy of records
 - compliance with statutory requirements, recognized standards and best practice.
- 1.4 Systems of control can only ever provide reasonable, but not absolute, assurance that control weaknesses and irregularities do not exist, and that there are no risks of material errors, losses, fraud or breaches of laws or regulations. The Council is therefore continually seeking to improve the effectiveness of its systems of internal control.
- 1.5 The Public Sector Internal Audit Standards (PSAIS), which came into effect in April 2013, require that:
 - the Audit Manager must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement
 - the annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control
 - the annual report must incorporate:
 - the opinion;
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme

The role of Internal Audit

- 1.6 The Public Sector Internal Audit Standards 2017 (PSIAS) defines Internal Audit as "... *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*"

1.7 Internal Audit is charged with continually reviewing the system of internal control system on behalf of the Council and its management. Internal Audit objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. The work of Internal Audit is based upon a risk assessment of the Council’s financial and non-financial systems, from which an annual audit plan is established that was approved by the Audit and Governance Committee in March 2018.

2. Overall Opinion and Assurance Statement

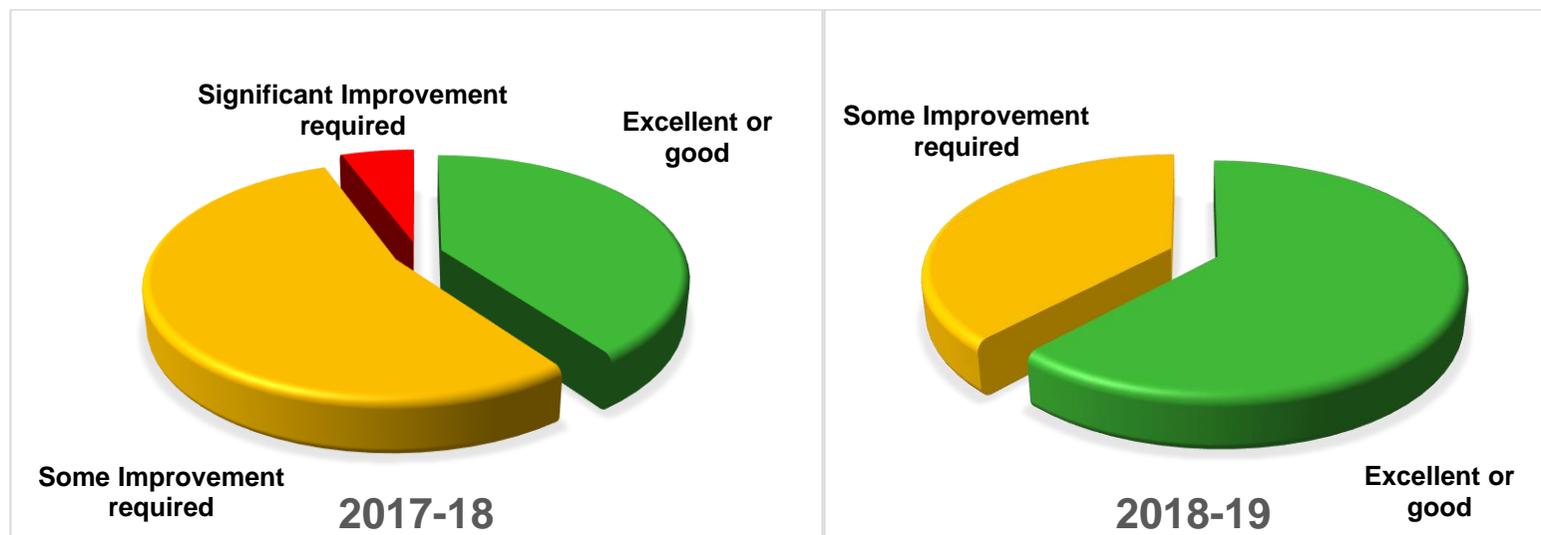
Basis of Opinion

2.1 Our evaluation of the control environment is informed by a number of sources:



Summary of assurance provided by the Internal Audit Service

2.2 A summary of all the assurance we have provided during the year is shown below. This includes each audit review directed to provided controls assurance but it excludes any fraud investigation work. A comparison is provided with 2017/18 which shows an increase in the overall percentage of excellent or good assurance ratings.



Management's response to our findings

2.3 Management's response to Internal Audit findings throughout the year was positive. Action plans were agreed and actions are already being implemented by nominated officers. There were no instances where remedial action was not agreed with management. We will follow-up all 'medium' and 'high' risk findings during the course of 2019-20 and continue to provide support to management to develop and implement solutions to the controls issues identified.

Follow-up of our previous work

2.4 We have undertaken work to ascertain progress in implementing previously agreed remedial action from all work completed in previous year's reviews. Good progress has been made to implement the action plans as agreed, however, in some instances management have not been able to implement the remedial action within the timescales originally agreed. However, most agreed remedial action has been or is being implemented and revised action plans have been agreed where necessary. All 'high' risk actions are required to be implemented immediately.

Overall Opinion

- 2.5 From the audit work undertaken during the year and taking into account the other sources of assurance identified above, we consider that the key systems are operating satisfactorily and that there are no fundamental breakdowns of control resulting in material discrepancy. As mentioned above, no system of control can provide absolute assurance against material loss, nor can Internal Audit give that assurance, this statement is only intended to provide an opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2019.

3. Key Issues and themes

Internal Control Framework

- 3.1 Our work found no evidence of significant issues in the internal control framework and we consider that management have responded appropriately and positively to agreeing and implementing remedial action.
- 3.2 The Council continues to make changes to its organisational structures and ways of working as it transforms the way in which services are delivered within the financial constraints of the current economic climate. This has kept the overall risk to the internal control environment high with changes in staff responsibilities and the reduction of available resources.
- 3.3 The Council now has a fully functioning Procurement Team in place, which is effectively managing Council procurements. The next phase is to ensure that contract management is an integral part of the procurement cycle to ensure that it is undertaken effectively and consistently across the Council's contracts
- 3.4 These two key issues are reported within the Annual Governance Statement, along with a summary of action to be taken. Progress will be subject to regular monitoring by this Committee.

Risk management

- 3.5 In March 2018, we undertook a review of the Council's Risk Management Framework. The basis of the review was taken from risk management best practice including the Committee of Sponsoring Organizations of the Treadway Commission (COSO) which is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence. The work undertaken concluded that Risk management within Exeter City Council has improved and evolved since the last audit undertaken in 2015 and the results of this review were reported to the Audit and Governance Committee in July 2018.
- 3.6 Since then, we have been assisting the Executive Support Unit in reviewing and updating the Council's framework and guidance around risk management. In addition, we continue to work with Service leads to develop their operational risk registers with services being prioritised in accordance with the corporate plan.

Counter Fraud

3.7 During 2018-19 we have followed up the responses and outstanding actions of the counter fraud self-assessment. In addition we have also completed the Serious and Organised Crime Checklist with services to identify any potential risks. The controls already in place in respect of this appear to be working well. We are currently working with Housing Services to investigate options for obtaining access to counter fraud expertise.

Regulation of Investigatory Powers (RIPA)

3.8 As co-ordinators of RIPA for Exeter City Council we are required to report to this committee on the use of RIPA by the Council during the year. During 2018-19 RIPA was not used by this Council. However, in February 2019 refresher training was undertaken by all nominated staff which fulfills the recommendation made as a result of the Council's inspection by the Investigatory Powers Commissioners Office (IPCO) in May 2018.

4. Delivery of 2018-19 Audit Plan

4.1 The Internal Audit plan for 2018-19 was approved by the Audit and Governance Committee in March 2018 and the committee received quarterly updates on progress against the plan. The table below shows the completion of the approved audit plan together with outcomes of all audits undertaken within the year, (including those completed in Quarter 4 - 1st January 2019 to 31st March 2019).

PROGRESS OF 2018/19 AUDIT PLAN AND SUMMARY OF OUTCOMES

Audit Area	Budget Days	Actual Days	Report Status	Direction of travel since last audit	Audit opinion	Summary of Audit Outcome
Main Accounting	12	3.5	No report due			Time within the plan was used to work with finance staff to process map the budget monitoring process in order to identify process inefficiencies and duplications. Therefore no assurance report is due.
Income Management	13	18.4	Final	↔	Some improvement required	<p>Exeter City Council collects income from Council Tax, National Domestic Rates, Car Parking, and Housing and Commercial rents. The Council also generates income through providing other services, such as canal moorings and home call alarm cover.</p> <p>The scope of the audit included:</p> <ul style="list-style-type: none"> • Income – general • Process mapping • Chanel Shift <p>One high risk and three medium risk issues were identified The high risk issue identified related to the failure of the interface between the Housing Benefit</p>

						system and the debtors system. Remedial action was agreed with management for all issues identified.
Procurement	15	15.4	Draft			To be reported to September meeting once report has been finalised.
Creditors – Duplicate Payments	25	29.6	Final	↑	Good	<p>The Council uses a purchase ledger system (EFINS) to make payments. (Note: purchases may also be made using one of the Council's corporate credit cards, however, these transactions were not within the scope of the audit).</p> <p>The scope of the audit included:</p> <ul style="list-style-type: none"> • reviewing all potential duplicates/overpayments for the period 1 June 2017 to 14 June 2018 (note: for this period Accounts Payable processed 30,565 invoices through the EFINS system) • checking that recovery action was taken when invoices were paid twice <p>Two 'medium' risk issues were reported and remedial action was agreed by management.</p>
Treasury Management	5	9.6	Final	↔	Good	<p>The Treasury Management function has responsibility for the management of the Council's cash flow and investments, its banking, money market and capital market transactions, the effective control of the risk associated with those activities and the pursuit of optimum performance consistent with those risks.</p> <p>The Council is required to have a Treasury Management Strategy based on the requirements of the DCLG's guidance on local authority investments. According to the government guidance the core principles that local authorities should follow when investing money are:</p> <ul style="list-style-type: none"> • to make the deposits secure • to ensure they have sufficient liquidity for their daily demands • to produce the highest available yield, once the first two considerations have been met <p>The scope of the audit included a review of the following areas:</p> <ul style="list-style-type: none"> - Treasury Management Strategy - Risk management - Cash flow - Lending - Borrowing - Capital investment - Records and reconciliations <p>One 'high' risk and 4 'medium' risk issues were identified. The 'high' risk issue related to the level of investment in a lower tier authority which exceeded the maximum set within the Council's Treasury Management Strategy. Remedial action was agreed with management for all issues identified.</p>

VAT	7	9.2	Final	↔	Some Improvement Required	<p>The Council is registered for Value Added Tax (VAT) and as such has to account to HMRC for the VAT;</p> <ul style="list-style-type: none"> • charged on the goods/services supplied by the council (known as output tax) • paid on the goods/services purchased by the council (known as input tax) <p>The scope of this audit was to review and test the following areas;</p> <ul style="list-style-type: none"> • Policies and procedures • Input tax and Output tax • Accounting for VAT • VAT changes <p>A total of 1 'high' risk and 9 'medium' risks were identified. The 'high' risk related to management of the VAT suspense account and remedial action has been agreed with management for all issues identified.</p>
BACS/CHAP	5	6.4	Final	No previous audit	Good	<p>The Council make payments to suppliers and organisations etc. by BACS (banks automated clearing services), by CHAPS (clearing house automated payment system) and by Faster Payments. In addition, the Council also collects payments from customers by BACS.</p> <p>The scope of the audit included:</p> <ul style="list-style-type: none"> • Bank Contract - Ensure that payments are being submitted in accordance with the limits set within the contract • System Access - Check that only relevant staff have access to the various systems • Documentation - By enquiry, check that information such as individuals bank account details are not retained for longer than the administration needs exist • Transactions - out - Review the CHAPS and Faster Payment documentation to ensure that suitable authorisation has been obtained prior to the payments being made • Collection of payments by Direct Debit - By enquiry, review the process adopted by sections collecting revenue/income by direct debit <p>Three medium risk and one low risk issues were identified and remedial action was agreed with management for all issues identified.</p>
Corporate Governance	8	5.5	Ongoing			<p>Time used to undertake general advice and guidance on corporate governance and to assist in drafting the Annual Governance Statement. No assurance report due.</p>
Equalities and diversity	5	4.4	Final			<p>Under the Equality Act 2010, public sector organisations have an equality duty. The Equality Duty ensures that public bodies consider the needs of all individuals in their day to day work – in shaping policy, in delivering services, and in relation to their own employees.</p>

						<p>The Local Government Association has developed an equality framework which is intended for use by organisations:</p> <ul style="list-style-type: none"> - as a self-assessment tool to support systematic and structured improvements in services - to map their progress in terms of equality and diversity <p>The Framework consists of 28 areas of judgement under the following five key themes;</p> <ul style="list-style-type: none"> • Knowing your communities • Leadership, partnership and organisational commitment • Involving your communities • Responsive services and customer care • A skilled and committed workforce <p>A total of 7 'medium' risk issues were identified as a result of undertaking this of the self-assessment and remedial action was agreed with management for all issues raised.</p>
Risk Management	15	7.9	Final		Progress report only	This time within the Audit plan has been used to assist the Executive Support Unit in reviewing and updating the Council's framework and guidance around risk management. In addition, we continue to work with Service leads to develop their operational risk registers with services being prioritised in accordance with the corporate plan. Therefore, there is no assurance report due.
Business Continuity Management	10	0.8	To be c/f to 19/20			The Council is still working to implement business continuity management across the organisation. In view of this, the time within the plan is carried forward to 2019-20
Information Governance	10	5.4	Final		Progress report only	
Counter Fraud	9	8.9	Final		Progress report only	During 2018-19 we have followed up the responses and outstanding actions of the counter fraud self-assessment. In addition we have also completed the Serious and Organised Crime Checklist with services to identify any potential risks. The controls already in place in respect of this appear to be working well. We are currently working with Housing Services to investigate options for obtaining access to counter fraud expertise. No assurance report due.
Contract Management	24	24.1	Draft			To be reported to September meeting once report has been finalised.
Safeguarding	5	3.4	Final		Progress report only	
Performance Management	10	0.1	To be c/f to 19/20			The Council's Corporate Plan 'Our Strategy' was approved by Executive on 9 th October 2018. A strategic dashboard is currently being built by Strata to enable reporting and monitoring across multiple indicators. In view of this, the time within the plan is carried forward to 2019-20. No assurance report due.

Due Diligence – District Heating schemes	5	4.1	Final	No audit opinion given	Consultation Review	<p>As the Council embarks upon a number of new initiatives in new areas of business the due diligence around these projects has been identified as an area of higher risk because they are new. The audit was conducted to gain an understanding of any effects on the Council rather than an assurance audit of the companies.</p> <p>The district heating schemes are new projects for the Council and are also included within the Council's corporate risk register, therefore, they have been selected for review during 2018/19.</p> <p>Exeter City Council holds shares within two district heating companies, Dextco and the Monkerton District Heating Company. Both companies are in the infancy and the schemes are still at their development stages. The Council has recognised some potential risks with these schemes and is monitoring these risks through their risk management process. The audit has not identified any further significant risks but some observations were made for which appropriate responses were received from management.</p>
Hospitality and gift disclosures	2	0.2				Time was used to undertake follow-up of last year's audit. No assurance report due.
ICT/Computers/STRATA	6	3.3	Final			Internal audit to use time to input to review of the Social Media policy. No assurance report due.
People Management (incl Payroll)	15	28.1	Final	↑	Good	<p>The Transactional Services team provide recruitment and payroll administration for the Council. They also provide Payroll Services for the Citizens Advice Bureau and the Exeter Business Centre.</p> <p>There are currently approximately 650 full/part time salaried employees.</p> <p>The scope of this audit included a review of the following:</p> <ul style="list-style-type: none"> • processing starters • processing leavers • monthly variations to pay (including overtime, honorariums, casual payments, pay rises and expenses) <p>Samples of transactions were selected over the period 1 April to 30 June 2018.</p> <p>Five medium risk and one low risk issues were identified. Remedial action was agreed with management for all issues identified.</p>
Licensing	6	6.4	Final	No previous audit opinion	Good	<p>The Licensing Section is responsible for the issuing and enforcement of a wide range of different licences for example alcohol and entertainment licenses, taxi and private hire vehicle licenses, street trading licences, gambling licenses and animal licenses.</p> <p>The audit concentrated on animal licensing - the Council has statutory responsibilities for the licensing of a number of activities relating to the welfare of animals under a number of different Acts of Parliament. A new regulation came</p>

						<p>into force on 1 October 2018, which is 'The Animal Welfare (Licensing of Activities involving animals) (England) Regulations 2018' and is part of the Animal Welfare Act 2006.</p> <p>It is aimed at protecting animals making it an offence for any person to possess, own or keep animals in order to carry out certain businesses, or have possession of certain animals within Exeter, without first being licensed by the Council.</p> <p>The scope of the audit included reviewing;</p> <ul style="list-style-type: none"> • Policies and procedures • The publication of the licensing requirements around animal welfare • Licence issue and renewal • The reconciliation of the licences issued to the fees collected • Procedures for identifying non-licensed operators <p>One 'medium' issue was identified and remedial action was agreed by management.</p>
Health and safety	10	8.8	Final	No previous audit	Some improvement required	<p>As an employer, the Council must protect their workers from the health risks of working with display screen equipment (DSE's) such as PC's, laptops, tablets and smartphones.</p> <p>The Health & Safety (Display Screen Equipment) Regulations 1992 apply to workers who use DSE daily, for an hour or more at a time. The law applies if users are for example;</p> <ul style="list-style-type: none"> • At a fixed workstation • Mobile workers • Home workers • Hot-desking <p>A review of DSE assessments was undertaken to ensure that each was undertaken in accordance with the law. A total of 5 medium issues were raised for which remedial action was agreed with management.</p>
Disabled Facilities Grants	8	10.3	Final	↔	Good	<p>The awarding of Disabled Facilities grants by local councils is governed by part one of the Housing Grants, Construction and Regeneration Act 1996. Devon County Council has been allocated funds by Central Government to support disabled adaptations. A share of this money is then allocated to each local authority within Devon to administer on behalf of DCC.</p> <p>For the 2017/18 year, ECC was awarded £733,476 from the Better Care Fund, although 10% of this amount (£73,347) was paid back to DCC to form a central funding pot so that all local authorities can access and use these additional funds where greatest demand for DFGs arise.</p>

						<p>The DFGs are issued subject to certain conditions and these are set out by the Department of Community and Local Government on an annual basis.</p> <p>The Chief Executive and Head of Audit of Devon County Council are required to sign a statement by the end of September each year and return this to the relevant government department confirming that “to the best of their knowledge and belief, and having carried out appropriate investigations and checks, in their opinion, in all significant respects, the conditions attached to Disabled Facilities Capital Grant Determination have been complied with.</p> <p>In order for them to do this, each authority is required to confirm that the grants they have awarded have been administered in accordance with the conditions set out by the Department of Community and Local Government. The authority statement must then be signed by the Chief Finance Officer and the Audit Manager.</p> <p>Samples of transactions were selected over the period 1 April 2017 to 31 March 2018 for examination and members of staff were interviewed in order to check the effectiveness of the internal controls and procedures in operation.</p> <p>The work undertaken enabled the Chief Finance Officer and the Audit Manager to sign off the statement by the due date.</p>
CCTV	5	4.4	Final	↔	Good	<p>The City Centre is monitored by CCTV cameras operated in partnership between the City Council (ECC), Devon County Council (DCC) and the Devon & Cornwall Police (D&CP), together with the support of the Community Safety Partnership. The system is registered with the Information Commissioner’s Office and regulated under General Data Protection Regulation 2018 and the Regulation of Investigatory Powers Act 2000.</p> <p>The agreed scope of the audit included a review of the following:</p> <ul style="list-style-type: none"> • Policies, procedures & training • Effective administration (notifications to the ICO office, justification for using CCTV) • Selection and siting of cameras, notices • Use & maintenance of CCTV equipment • Storage, retention and disclosure of images • Management review of the use of CCTV <p>Remedial action was agreed with management for all issues raised.</p>
Homecall	5	8.4	Final	↓	Some Improvement Required	<p>Home Call provides community alarms to rent to people at risk, including the elderly and those with mobility problems or medical conditions. This enables people to continue to live in their own homes.</p>

						<p>As at 3rd May 2018, there were 1,554 Home Call clients of which 177 were also Key Safe clients though it should be noted that of the 1,554 clients, 527 of them are 'scheme housing' clients who have the service provided free of charge.</p> <p>Since November 2016 however, any new clients moving into the 'scheme housing' properties are being asked to pay for this service – the Home Call system is removed if they are unwilling to do so.</p> <p>The scope of the audit included a review of the following areas;</p> <ul style="list-style-type: none"> • Issue of Home call alarms • Invoicing (covering the period January 2018 to May 2018) • Debt recovery (as at May 2018) • Cancellation of the service • Maintenance and testing of the equipment • Client, staff and data protection <p>The audit identified a number of "medium' risk issues and remedial action was agreed with management for all issues identified.</p>
City Centre (BID)	10	6.9	Final	↔	Good	<p>Business Improvement Districts (BIDs) have now been operating across the UK for over a decade with well over 200 BIDs established around the country. Once voted in, the payment of a BID levy is mandatory and this is bound in UK law.</p> <p>A BID is a business-led and business-funded body formed to improve a defined commercial area. Exeter's BID district is located within the city centre (broadly speaking within the Roman Wall).</p> <p>The scope of the audit included a review of the following:</p> <ul style="list-style-type: none"> • BID liability - checking for a sample of properties in the BID area that the correct BID liability has been set up on the BID account • Collection of BID levy- including checking the reconciliation of levy receipts • Refunds - checking that they are valid • Recovery of outstanding BID accounts - checking that appropriate recovery action was taken • Write-offs - checking that appropriate authorisation was obtained from the BID board • Monitoring of performance and reporting to the Board - checking that regular monthly statements of levies collected and reports of outstanding debts are supplied to the Board <p>Two medium risk and one low risk issues were identified. Remedial action was agreed with management for all issues identified.</p>

Museum services	6	4.2	Final	No previous report	Excellent	<p>The overall objective of this audit was to review the adequacy and effectiveness of the system of internal controls designed to manage and mitigate the risks relating to;</p> <p>a) the workshop maintenance schedules b) the volunteer expense process</p> <p>The scope of the audit included;</p> <p>a) visiting the RAMM workshop and reviewing the maintenance schedules and safe working practice documents b) interrogating the volunteer database and comparing the information to the expenses paid to volunteers from April 2018 to date</p>
Housing Benefits	5	0.5	Final			This time within the audit plan was combined with the Housing time in order to undertake a holistic view of welfare reform issues. No assurance report due.
Council Tax	13	13.7	Final	↔	Some improvement required	<p>Council tax is the main source of locally-raised income for local authorities. Council tax was introduced in April 1993 and the amount of council tax payable on a property depends on;</p> <p>a) the council tax band to which it is allocated (Band D council tax is the standard measure of council tax with all of the other Bands set as a proportion of the Band D) b) the number of liable adults in the property (the levy is based on the property being inhabited by two liable adults with reductions allocated due to discounts, exemptions or local council tax support schemes)</p> <p>The scope of the audit included a review of the following areas;</p> <ul style="list-style-type: none"> • Council Tax information published on the Council's website - reviewing that this is up to date and accurate • Discounts - checking that there is evidence on the account when discounts are awarded • Disregards - sample testing those cases in receipt of a disregard to check that they still qualify for the disregard • Exemptions - checking that all exemption cases have recently been surveyed or are timetabled to be surveyed • Accounts with circumstance codes attached that suppress bills being raised/recovery action being taken - checking that regular action is being taken on these accounts <p>One high risk and one medium risk issues were identified. The high risk issue related to disregards. In a sample of 10, 9 disregards had not recently (e.g. more than 18 months ago, some were more than 10 years old) been checked to ascertain if the disregard still existed.</p> <p>Remedial action was agreed with management for all issues identified.</p>

Payments and collection	9	8	Final	↔	Good	<p>The Payments & Collection Team oversees the recovery of council tax, housing rent, housing benefit overpayments, former tenant and rechargeable repair debts.</p> <p>The team is split into three sections;</p> <ul style="list-style-type: none"> • Single debt team – deal with the collection of council tax arrears • Multi debt team – deal with the collection of all of the other debts, plus those debtors associated council tax arrears • Payment team – deal with payments and unpaid items for the above debtors <p>The overall objective of this audit was to review the adequacy and effectiveness of the system of internal controls designed to manage and mitigate financial and non-financial risks relating to debt collection.</p> <p>The scope of the audit was to review the mechanisms in place to identify all debtor cases and that once identified, regular and appropriate recovery action is taken.</p> <p>Remedial action was agreed with management for all issues raised.</p>
Sundry Debtors	8	12.2	Final	↓	Some improvement required	<p>The overall objective of this audit was to review the adequacy and effectiveness of the system of internal controls designed to manage and mitigate financial and non-financial risks relating to the Sundry Debtor system.</p> <p>The scope of the audit included:</p> <ul style="list-style-type: none"> • Raising of sundry debtor invoices • Debt recovery • Allocation of payments <p>A total of 15 'medium' issues were raised and remedial action was agreed by management.</p>
NDR	10	21.1	Final	↑	Good	<p>Business Rates (or Non-domestic Rates) are a tax on business properties such as shops, offices, factories, pubs, masts and advertising hoardings and is the businesses contribution towards the cost of local services. The tax is set by the government and is based on the 'rateable value' of the property.</p> <p>Certain properties are exempt from this tax, for example owners of farm buildings and land, places of religious worship and buildings used for the training or welfare of disabled people. Others are eligible for discounts, known as 'business rates relief', e.g. small business rate relief, charitable relief, rural rate relief etc.</p> <p>The scope of the audit included a review of the following areas:</p>

						<ul style="list-style-type: none"> - identification of new properties - notifications to the Valuation Office - reliefs and exemptions - refunds - recovery action - recovery performance - write-offs <p>A total of 5 'medium' issues were reported and remedial action was agreed with management for all issues raised.</p>
Housing – Temporary Accommodation	20	20.9	Final	No previous audit	Good	<p>The Housing Act 1996 (part 7), amended by the Homelessness Act 2002, sets out a legal responsibility for authorities to provide temporary accommodation where a duty is owed.</p> <p>When people present to the Council as homeless and it is assessed that a duty is owed, the Council must provide accommodation. Whilst every effort is made to help secure them long term housing, there is still a need for temporary accommodation to meet some people's short term needs</p> <p>Between 1 October 2017 and 30 September 2018, 492 placements into temporary accommodation were made'</p> <p>The scope of the audit included a review of the following:</p> <ul style="list-style-type: none"> • Units available as temporary accommodation and status of any contracts in place • Evidence that there was a duty to provide the accommodation • Completion of HRA Assessment form and Personalised Housing Plan • Applications for housing benefits • Debiting of rent payable to the relevant housing rent account • Issue of accommodation licences to Clients • Recovery of rent and ineligible service charges from Client • Void periods for properties <p>A total of 4 'medium' issues were identified and remedial action was agreed with management.</p>
Housing Needs - Homelessness	20	15.4	Final	No previous audit	Good	<p>Every housing authority district is required under the Homelessness Act 2002 to:</p> <ul style="list-style-type: none"> • have a homelessness strategy for tackling and preventing homelessness, and • strengthen the assistance available to people who are homeless or threatened with homelessness by extending the priority need categories to homeless 16 and 17 year olds; care leavers aged 18, 19 and 20; people who are vulnerable as a result of time spent in care, the armed forces, prison or custody and people who are vulnerable because they have fled their home because of violence.

						<p>The Homelessness Reduction Act (2017) came into effect from 1 April 2018 and significantly reformed England's homelessness legislation by placing duties on local authorities to intervene at earlier stages to prevent homelessness in their areas. It also requires housing authorities to provide homelessness services to all those affected, not just those who have 'priority need'.</p> <p>The Housing Solutions team within ECC are responsible for helping people:</p> <ul style="list-style-type: none"> • remain in their existing home if they are threatened with homelessness • access alternative accommodation before they become homeless • who are already homeless, to access either a tenancy in the private rented sector, social housing or an alternative housing option <p>The scope of the audit included a review of the following:</p> <ul style="list-style-type: none"> • Evidence to support eligibility for assistance (appropriate ID and eligibility to reside in the UK) • Assessments and personalised housing plans • Identification of whether a prevention or relief duty was owed • Notification letters • Reasonable prevention or relief duty provided • Ending prevention and relief duties • Performance monitoring and statistics <p>The audit identified a number of medium risk issues and remedial action was agreed with management for all issues identified.</p>
Planning	10	11.6	Final	↓	Some Improvement Required	<p>In the last twelve months there has been a drop in performance in processing minor planning applications. This was highlighted on the most recent corporate work plan. Since January 2017, the Council's processing times for minor and major applications have for some quarters been under the threshold levels.</p> <p>The agreed scope of the audit included a review of the following:</p> <ul style="list-style-type: none"> • To check that the correct process is being followed for minor planning applications • To try and help determine causes for the drop in performance regarding speed of determining planning applications • Help find solutions to improve the speed of determining minor planning applications. <p>From the review of planning application processing times it has been difficult to draw out a specific reason for the poor processing times. Planning application processes are complex and many cases have individual reasons for delays. However, the review has identified some key themes which appear to have contributed to the longer processing times. These are:</p>

						<p>- Applicants failing to obtain pre-application advice</p> <p>- Poor record keeping within the administration of applications, leading to officers wasting time looking for information or duplicating advice or work that may have been done at pre-application, which wasn't recorded.</p> <p>Remedial actions were agreed in respect of 7 medium risk and 1 low risk findings.</p>
New Homes Bonus	5	1.3		No report due		Time was spent from this year's plan finalising work started in previous year
Section 106 Agreements	5	14.3	Final	No previous audit opinion	Some improvement required	<p>Planning obligations are agreements entered into between the Council and developers, in conjunction with the granting of planning permission. Planning obligations apply to land, binding it and whoever owns it. They are made using powers under section 106 of the Town and Country Planning Act 1990, which is why they are also called "section 106 agreements".</p> <p>Unless it is agreed otherwise, planning obligations run with the land in perpetuity and may be enforced against the original covenantor or anyone that acquires an interest in the land, until such time as they are discharged or otherwise modified.</p> <p>The current balances of s106 payments are as follows:</p> <ul style="list-style-type: none"> - S106 Capital contributions unapplied – £974,049.37 - S106 Deferred credits – £9,574,726.04 - S106 Income in advance - £605,346.61 <p>The Member Champion for S106 at the time of the audit was Cllr Harvey and he had raised concerns that S106 monies were not being spent on projects. He was worried that monies may not be spent by the expiry dates and would have to be repaid to the developer. It was agreed with Cllr Harvey and the Principal Project Manager Strategic Infrastructure that Audit should undertake a 'walk through' of the current system, produce a complete system description and identify areas where there were inadequate controls or processes.</p> <p>Interviews were held with people within the relevant sections involved in the process.</p> <p>There were numerous issues identified during the audit that once addressed, will improve controls over the Council's S106 objectives. However, many of the agreed actions relate to additional resources being found. If these additional resources are not available other methods of addressing the identified risks will need to be sought.</p>

Other

RIPA Administration	2	4.9
Contingency (special/frauds) including unplanned work	30	28.3
Follow-ups	8	7.3
Audit Development – Data Analysis/CAAT development/stakeholder survey	19	10
Audit planning and control	46	42.5
NFI	2	3.5
External Audit	2	0.6
Total	470	454.9

Note - Overspends on non-productive time i.e. Training, Admin and Meetings has resulted in the shortfall of productive time shown here.

5. Summary of investigations 2018/19

5.1 In addition to the planned work, we have also worked on a number of reported concerns and investigations. A summary of this work is shown below, which includes all fraud that has been identified during the year (excluding housing benefits fraud).

Internal Audit received 42 reports during 2018/19, (43 in 2017/18) of which:

- 30 were received via the “Report It” facility on the website (28 were reported anonymously)
- 4 were received via the telephone fraud hotline
- 5 were received via email
- 3 concerns were raised with Internal Audit direct one of which was investigated by Internal Audit. The remaining 2 investigations were relating to the Council’s bank account and were therefore undertaken by Lloyds Bank as the Council’s bankers.

Of the 42 reports received:

- 31 were in relation to possible fraudulent claims of housing benefit and single occupier discount for council tax purposes. HB cases were referred on to the DWP for investigation, as with effect from 01 April 2015 all HB fraud investigation is now undertaken by them. All single occupier discount cases were referred to the Council Tax service for further investigation.
- 6 were allegations of housing tenancy issues
- 3 issues were in relation to other Council Services
- 2 were issues not dealt with by the Council so were referred to the appropriate external agency

Internal Audit Investigations

- 2 cases related to the Council’s bank account
 - Case 1 - A number of fraudulent transactions were attempted via the Council’s corporate credit card, all payments were refunded by the bank so no loss to the Council.
 - Case 2 - Three cheques were fraudulently drawn on the Council’s bank account. The bank identified the cheques and returned them unpaid. Copies of the cheques were provided and Lloyds Bank have sought authority to refer the matter to the Police. The 3 cheques amounted to £54,359.67.
- 1 case was not proven

Fraud identified within other services 1 April 2018 to 31 March 2019

Date Notified	Type of Fraud	Number of cases	Total value of fraud	How detected
29.05.18	Council Tax	1	£1718.33	Advised by bank that payment made via stolen card. However, payment had already been refunded to a bank account at the request of the fraudster.
25.03.19	Single Occupier Discount	1	£483.21	Report it referral

Use of Whistleblowing policy

No reports have been received during 2018/19 under the Council's Whistleblowing Policy.

6. Quality Assurance and Improvement Programme

6.1 The Public Sector Internal Audit Standards (PSIAS) state that the Audit Manager must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity and to demonstrate that the internal audit service is:

- (a) meeting its aims and objectives;
- (b) compliant with the PSIAS;
- (c) meeting internal quality standards;
- (d) effective, efficient, continuously improving; and
- (e) adding value and assisting the organisation in achieving its objectives

The results of the programme must be reported at least annually to the Audit and Governance Committee.

6.2 Performance, quality and effectiveness should be assessed at two levels:

- for each individual audit; and
- for the internal audit service as a whole.

This performance management and quality assurance framework must include, but is not limited to:

- A comprehensive set of targets to measure performance. The Audit Manager should measure, monitor and report appropriately on the progress against these targets;
- seeking user feedback for each individual audit and periodically for the whole service;
- Periodic self-assessments to evaluate conformance with the Code of Ethics and the Standards
- An external assessment every 5 years with the scope agreed by an appropriate sponsor; and
- An action plan to implement improvements.

Performance Indicators

6.3 There are no national performance indicators in existence for Internal Audit, but we do monitor the following Local Performance Indicators (LPI's):

Local Performance Indicator	Target	Actual
Percentage of Audit plan completed	95%	99%
Customer satisfaction - % Good or Excellent as per feedback forms	90%	100%
Draft reports produced within 10 days	90%	96%
Final reports produced within 10 days	90%	96%
Follow-up within 12 months	95%	100%
Training days per auditor post per annum	6 days	6.6 days
Number of process improvements		7

6.4 Overall, performance against the indicators is good with the all indicators exceeding target with the exception of meeting training targets. However, this was greatly improved from 2017/18 rising from 2.3 days.

User Feedback

6.5 The customer satisfaction results are derived from the customer satisfaction surveys issued following each individual audit. There were 18 surveys issued with 10 returned.

Some of the feedback comments received include:

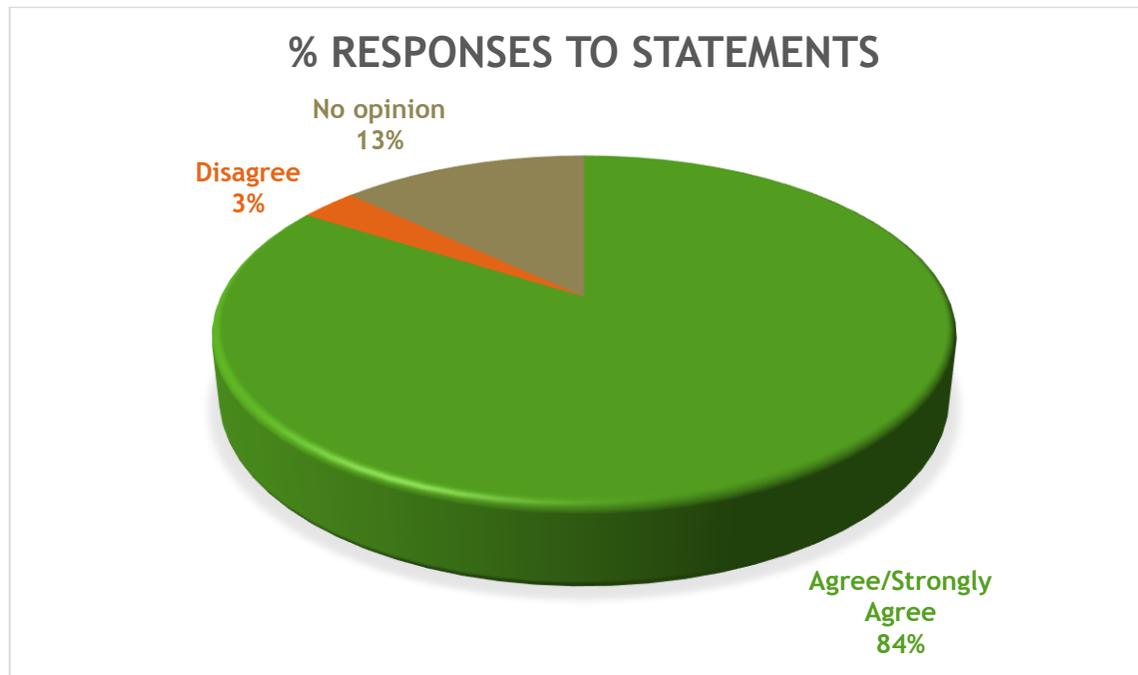
- A very useful report which will help me to prioritise the work of the new manager once appointed.
- Just the action of doing the audit allows staff to focus on the important areas and ensure we are doing things correctly and following the legislation provided.
- All direction or issues noted during this process allowed us to focus and make changes to our checking process. It was invaluable because as mentioned we have had to self-teach develop new paperwork and financial processes from scant historical documents and there is always the possibility that we are making glaring errors. Thankfully nothing major is being overlooked.
- It allowed me as the manager to refocus staff on the importance of their performance, the processes we have and press home the do's,

don'ts, why's and wherefores'. Without the negativity.

- Explaining things to the auditor helped us to reflect on what we do and where the potential gaps are, which is a useful process.
- We are a busy section and auditor was sensitive to this, and was very good at explaining everything about the audit process. We were nervous about being audited but engaged with the process and overall found the audit very worthwhile.
- I think the audit helped to identify that Section 106 monitoring is under-resourced. I know that it brought this fact to the attention of Senior Management Board. As far as I am concerned that is a good thing, as it has forced SMB to acknowledge there are problems, with potentially significant income implications for the Council.

Bi-annual Stakeholder Survey

6.6 Our Quality and Assurance Improvement Program, which is a key element of the Public Sector Internal Audit Standards, requires us to conduct a periodic survey of our stakeholders. A survey, which has been adapted from the Institute of Internal Auditors (IIA) "A Call to Action Research Study" (CBOK Study), was issued to a sample of stakeholders to allow us to get an understanding of their perception of the Internal Audit Service and the type of service they are expecting. 25 surveys were issued and included a number of statements where stakeholders were asked to rate to what degree they agreed or disagreed with the statements. For all statements asked, it's pleasing to note that, the majority of respondents agreed or strongly agreed with the statement. Detailed results are set out at the end of this report (Appendix 1).



Public Sector Internal Audit Standards (PSIAS)

Independent Assessment

6.7 The PSIAS requires that an independent assessment of compliance with the standard is undertaken once every 5 years. The results of the last external assessment which was undertaken in July 2014 were reported to this committee in December 2014. The next assessment is due to be undertaken during 2019 and a proposal to appoint an independent assessor will be brought to the next Audit and Governance meeting in September.

Self-Assessment

6.8 The standard also requires that the Audit Manager undertakes a periodic self-assessment of compliance. This last self-assessment was undertaken in March 2019, in preparation for our independent assessment due in 2019, when it was found that the service was 97.9% compliant.

Exeter City Council – Internal Audit

Stakeholder Expectations and Perceptions Survey Results

Introduction

A stakeholder survey, which has been adapted from the Institute of Internal Auditors (IIA) “A Call to Action Research Study” (CBOK Study), was issued to a sample of stakeholders to allow us to get an understanding our stakeholder’s perception of the Internal Audit Service and the type of service our stakeholders are expecting.

Our Quality and Assurance Improvement Program, which is a key element of the Public Sector Internal Audit Standards, requires us to conduct a periodic survey of our stakeholders.

Method

Surveys were sent to a sample of 25 stakeholders as follows:

- All Council Members of the Audit and Governance Committee - 11 surveys issued, 1 returned
- Strategic Management Board – 7 surveys issued, 4 returned (3 completed and 1 declined)
- Operational Management Board – 7 surveys issued, 7 returned

The surveys included a number of statements and stakeholders were asked to rate to what degree that agreed or disagreed with the statements.

Results

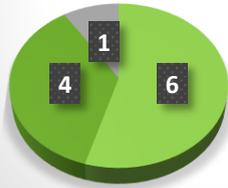
The results of the 11 surveys returned have been collated and detailed below.

About the Internal Audit Service - Exeter City Council’s Internal Audit Service:

<p style="text-align: center;">Is independent and objective</p> 	<p>All respondents to this statement strongly agreed or agreed that the Internal Audit Service is independent and objective.</p>
<p style="text-align: center;">Provides assurance to management and the Audit and Governance Committee</p> 	<p>Ten out of eleven respondents felt that Internal Audit provides assurance to management and the Audit and Governance Committee.</p>

<p style="text-align: center;">Is a consulting resource</p> 	<p>All respondents agreed or strongly agreed that Internal Audit is a consulting resource</p>
<p style="text-align: center;">Works to improve the organisation's operations</p> 	<p>Ten out of eleven respondents agreed or strongly agreed that Internal Audit works to improve the organisation's operations. One respondent disagreed.</p>
<p style="text-align: center;">Evaluates and improves the effectiveness of the governance process</p> 	<p>Eight out of eleven respondents agreed or strongly agreed that Internal Audit works evaluates and improves the effectiveness of the governance process. Two respondents disagreed, one noting that they did not believe that it was in the remit of Internal Audit to improve the process.</p>
<p style="text-align: center;">Evaluates and improves the effectiveness of risk management</p> 	<p>Ten out of eleven respondents agreed or strongly agreed that Internal Audit works evaluates and improves the effectiveness of the risk management process. One respondent disagreed, again noting that they did not believe that it was in the remit of Internal Audit to improve the process.</p>

Evaluates and improves the effectiveness of control processes



- Strongly agree
- Agree
- Disagree
- Strongly disagree
- No opinion

Ten out of eleven respondents agreed or strongly agreed that Internal Audit works evaluates and improves the effectiveness of the control process. One respondent disagreed, again noting that they did not believe that it was in the remit of Internal Audit to improve the process.

About the focus of the service – It is important that Internal Audit focus on:

Efficiency and effectiveness of operations



- Strongly agree
- Agree
- Disagree
- Strongly disagree
- No opinion

Nine out of eleven respondents agreed or strongly agreed that it is important that Internal Audit focus on the efficiency and effectiveness of operations. Two respondent disagreed.

Reliability of management information (including but not limited to financial reporting)



- Strongly agree
- Agree
- Disagree
- Strongly disagree

All respondents agreed or strongly agreed that it is important that Internal Audit focus on reliability of management information

Deterring and detecting fraud



- Strongly agree
- Agree
- Disagree
- Strongly disagree
- No opinion

All respondents agreed or strongly agreed that it is important that Internal Audit focus on deterring or detecting fraud.

<h3 style="text-align: center;">Safeguarding assets</h3>  <p>A 3D pie chart showing the distribution of responses for 'Safeguarding assets'. The chart is divided into five segments: a large green segment (5), a slightly smaller green segment (5), a small grey segment (1), a small red segment (1), and a small blue segment (1). A legend to the right identifies the segments: Strongly agree (light green), Agree (medium green), Disagree (grey), Strongly disagree (red), and No opinion (blue).</p>	<p>Ten respondents agreed or strongly agreed that it is important that Internal Audit focus on safeguarding assets. One respondent had no opinion.</p>
<h3 style="text-align: center;">Compliance with laws and regulations</h3>  <p>A 3D pie chart showing the distribution of responses for 'Compliance with laws and regulations'. The chart is divided into two segments: a large green segment (8) and a smaller green segment (3). A legend to the right identifies the segments: Strongly agree (light green), Agree (medium green), Disagree (grey), Strongly disagree (red), and No opinion (blue).</p>	<p>All respondents agreed or strongly agreed that it is important that Internal Audit focus on compliance with laws and regulations.</p>
<h3 style="text-align: center;">Corporate Governance</h3>  <p>A 3D pie chart showing the distribution of responses for 'Corporate Governance'. The chart is divided into five segments: a large green segment (5), a slightly smaller green segment (5), a small grey segment (1), a small red segment (1), and a small blue segment (1). A legend to the right identifies the segments: Strongly agree (light green), Agree (medium green), Disagree (grey), Strongly disagree (red), and No opinion (blue).</p>	<p>All respondents agreed or strongly agreed that it is important that Internal Audit focus on Corporate Governance.</p>
<h3 style="text-align: center;">Enterprise Risk Management</h3>  <p>A 3D pie chart showing the distribution of responses for 'Enterprise Risk Management'. The chart is divided into five segments: a large green segment (5), a slightly smaller green segment (4), a small grey segment (1), a small red segment (1), and a small blue segment (1). A legend to the right identifies the segments: Strongly Agree (light green), Agree (medium green), Disagree (grey), Strongly disagree (red), and No opinion (blue).</p>	<p>Nine respondents agreed or strongly agreed that Internal Audit should focus on enterprise risk management. One respondent disagreed and one had no opinion.</p>
<h3 style="text-align: center;">Emerging risks</h3>  <p>A 3D pie chart showing the distribution of responses for 'Emerging risks'. The chart is divided into five segments: a large green segment (5), a slightly smaller green segment (3), a small grey segment (2), a small red segment (1), and a small blue segment (1). A legend to the right identifies the segments: Strongly agree (light green), Agree (medium green), Disagree (grey), Strongly disagree (red), and No opinion (blue).</p>	<p>Eight respondents felt that that it was important for Internal Audit to focus on emerging issues. One respondent disagreed and two had no opinion.</p>

About the service provided - Is it important that internal audit:

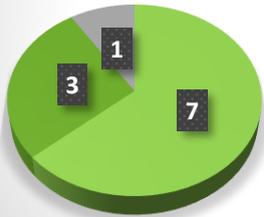
Perform assurance activities related to Corporate Governance



- Highly important
- Important
- Somewhat important
- Not at all important
- No opinion

All respondents felt it was important for Internal Audit to perform activities related to Corporate Governance.

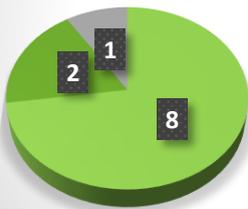
Perform assurance activities related to risk management



- Highly important
- Important
- Somewhat important
- Not at all important
- No opinion

Ten respondents felt it was important or highly important for Internal Audit to perform activities related to risk management. One respondent felt it was somewhat important.

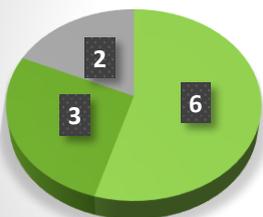
Perform assurance activities related to control processes



- Highly important
- Important
- Somewhat important
- Not at all important
- No opinion

Ten respondents felt it was important or highly important for Internal Audit to perform activities related to control processes. One respondent felt it was somewhat important.

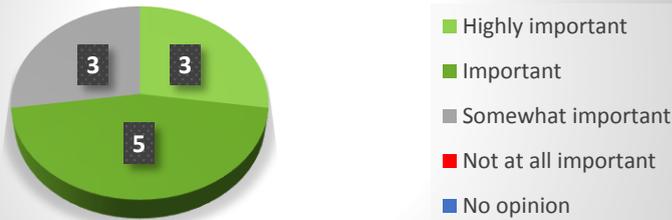
Assist with risk management



- Highly important
- Important
- Somewhat important
- Not at all important
- No opinion

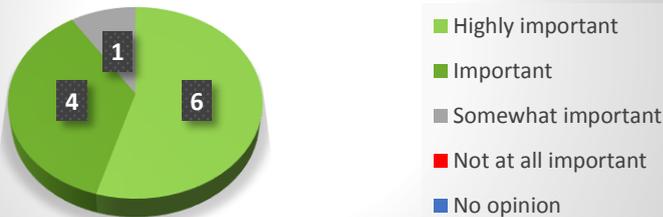
Nine respondents felt that that it was important or highly important for Internal Audit to assist with risk management, two respondents felt it was somewhat important.

Serve as a catalyst for change



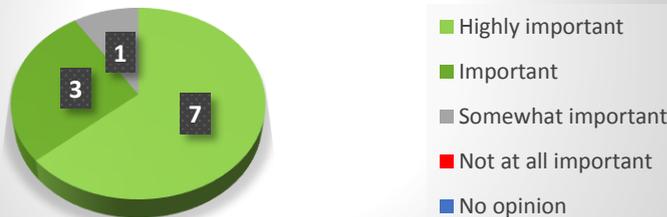
Eight respondents felt that that it was important or highly important for Internal Audit to serve as a catalyst for change and action within the organisation. Three respondents felt it was somewhat important.

Serve as an advisor to the audit committee



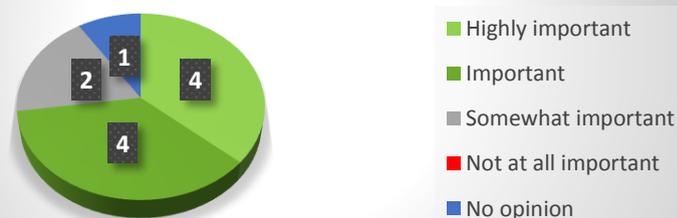
Ten respondents felt that that it was important or highly important for Internal Audit act as an advisor to the audit committee, one respondent felt it was somewhat important.

Serve as an advisor to management



Ten respondents felt that that it was important or highly important for Internal Audit to serve as an advisor to management, one respondent felt it was somewhat important.

Serve as "eyes and ears" of the audit committee



Eight respondents felt that that it was important or highly important for Internal Audit to serve as the "eyes and ears" of the audit committee. Two respondents felt it was somewhat important and one had no opinion.

Stakeholder experience of the service – In my experience the Internal Audit Service:

Knowledgeable about the organisation's strategy, business and initiatives



Ten respondents agreed or strongly agreed that the Internal Audit Service is knowledgeable about the organisation's strategy, business and initiatives.

Demonstrates proficiency when performing its work



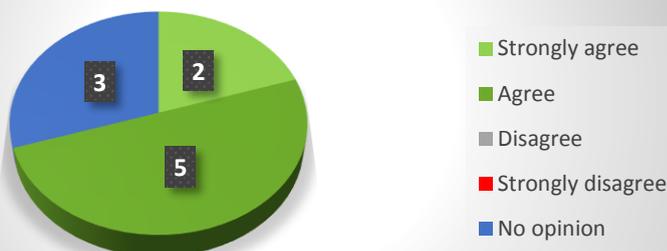
All respondents agreed or strongly agreed that the Internal Audit Service demonstrates proficiency when performing its work.

Adaptive to the needs of today's business environment



Nine respondents agreed or strongly agreed that the Internal Audit Service is adaptive to the needs of today's business, two respondents had no opinion.

Anticipates emerging risks



Eight respondents agreed or strongly agreed that the Internal Audit Service anticipates emerging risks. Three respondents had no opinion.

Provides valuable insights and knowledge



All respondents agreed or strongly agreed that the Internal Audit Service provides valuable insights and knowledge to its stakeholders.

Is appropriately knowledgeable of new industry practices



Six respondents agreed or strongly agreed that the Internal Audit Service is knowledgeable of new industry standards. Five had no opinion.

Seeks feedback on its performance



Ten respondents agreed or strongly agreed that the Internal Audit Service seeks feedback on its performance. One respondent disagreed.

Relationships with stakeholders - In my experience, Internal Audit has a positive working relationship with:

Audit and Governance Committee



Three respondents strongly agreed that the Internal Audit Service has a positive working relationship with the Audit and Governance Committee. Eight respondents did not have an opinion, this would be expected as only officers and Councillors involved with the Audit and Governance Committee may feel able to answer this question.

Senior Management



Nine respondents agreed or strongly agreed that the Internal Audit Service has a positive working relationship with Senior Management. Two respondents did not have an opinion.

External Auditors



Four respondents strongly agreed that Internal Audit has a positive working relationship with external auditors, seven had no opinion.

Communication - Internal Audit reports and other communications are:

Targeted to the right audience



Ten respondents agreed or strongly agreed that Internal Audit reports are targeted to the right audience, one had no opinion.

Clear and understandable



All respondents agreed or strongly agreed that Internal Audit reports are clear and understandable.

Timely



Ten respondents agreed or strongly agreed that Internal Audit reports are timely, one had no opinion.

Informative



All respondents agreed or strongly agreed that Internal Audit reports are informative.

Actionable



All respondents agreed or strongly agreed that Internal Audit reports are actionable.

Audit Planning – Internal Audit seeks stakeholder input on its:

Annual audit plan



All respondents agreed or strongly agreed that Internal Audit seeks stakeholder input on its annual audit plan.

Plans for individual audit engagements



Ten respondents agreed or strongly agreed that Internal Audit seeks stakeholder input on plans for individual engagements, one had no opinion.

Audit performance



Eight respondents agreed or strongly agreed that Internal Audit seeks stakeholder input on its performance, one disagreed and two had no opinion.