



Annual Audit Plan 2020-21

Helen Putt/Helen Kelvey
Audit Manager

Contents

Introduction	.....	2
Your Internal Audit Team	.....	3
Conformance with Internal Audit Standards	.....	3
Council Vision	.....	4
Council Risk	.....	5
Developing the internal audit plan 2020-21	.....	7
Internal Audit Plan 2020-21	.....	8 – 14

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. Internal Audit has just undergone an external assessment (January 2020). The external assessor concluded that:

"It is our overall opinion that the Exeter City Council Internal Audit Team **generally conforms** to the Public Sector Internal Audit Standards, including the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*." **Generally Conforms** is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

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.



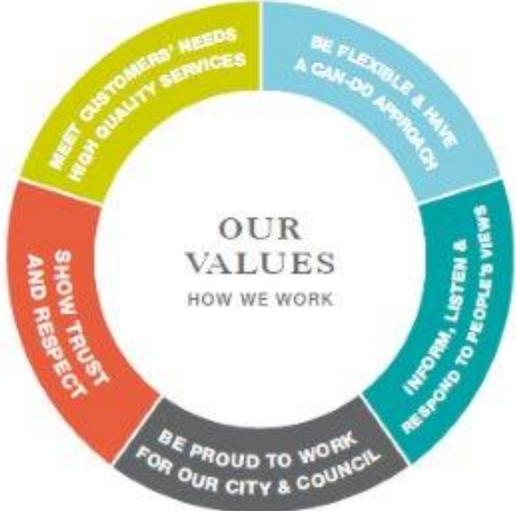
PROVIDING VALUE-FOR-MONEY SERVICES

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:

The Three Lines of Defence Model



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.

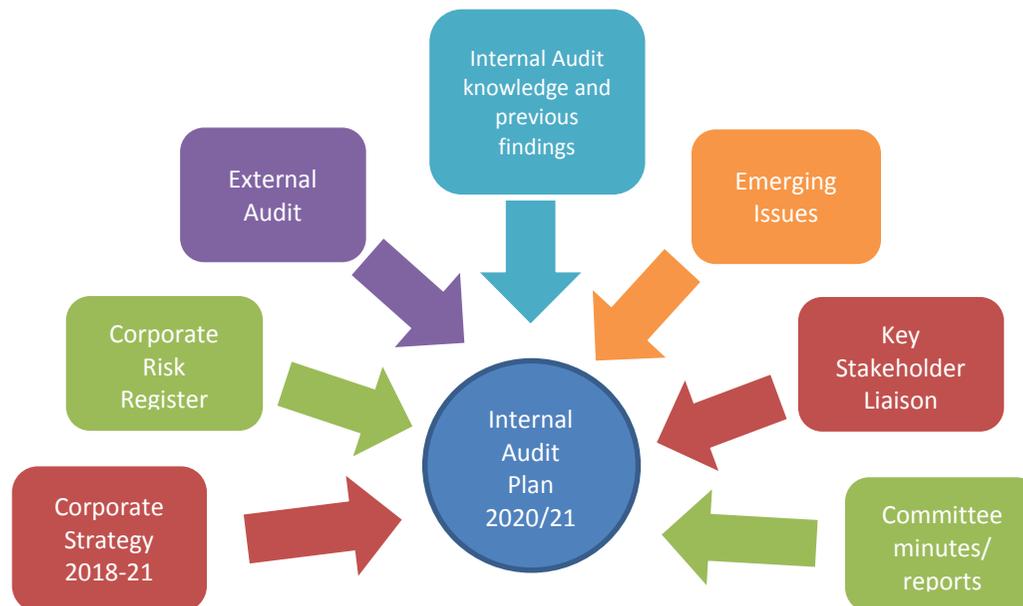
The use of the three lines of defence to understand the system of internal control and risk management should not be regarded as an automatic guarantee of success. All three lines need to work effectively with each other and with the audit committee in order to create the right conditions.

Developing the internal audit plan 2020/21

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. The Council obtains assurance from a number of other sources as detailed in the Annual Governance Statement.

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 2020/21

The Internal audit service has 472 days within the plan. Of those days, 144 are fixed days for audit planning and control, process mapping, 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 and Disabled Facilities Grant audit (terms of grant conditions). A small amount of time is set aside as a contingency to allow for unplanned work such as frauds. The remaining 328 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
Chief Executive			
Information Technology	The Council's IT service is provided by Strata Service Solutions Ltd. Risk – information management, financial, reputational	Medium	General assurance around IT security
Corporate and Support Services			
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.	Medium	Follow-up of issues identified in audit undertaken 19/20. Input to the Annual Governance Statement and to undertake an Assurance Mapping model review.
Equalities and Diversity	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 –	Medium	General assurance work against the Equalities Framework.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
	<p>in shaping policy, in delivering services, and in relation to their own employees.</p> <p>Risk – legislative risk. Damage to reputation of Council.</p>		
Risk Management	<p>Systems and processes to manage the Council’s risks that could prevent it from meeting its objectives</p> <p>Risk – financial risks. Failure to meet objectives and purpose</p>	High	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	<p>Management of the Council’s business continuity arrangements in the event of business disruption.</p> <p>Risk – Council fails to operate effectively due to business disruption. Damage to reputation.</p>	High	Review of the new business continuity arrangements and general assurance work.
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	<p>Work with executive support to complete Information Commissioners Office self-assessment to provide a level of assurance in the following areas:</p> <ul style="list-style-type: none"> - Data Protection - Information security - Records management - Data sharing and subject access - CCTV
Contract Management	<p>The way in which the Council manages its contracts.</p> <p>Risk – Contractors fail to deliver their obligations leading to poor value for money.</p>	High	We will be reviewing the contract management processes for a sample of existing contracts. This will include the Council’s Kitchen Replacement Program.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
Performance Management	<p>With the Council moving to an Agile and Flexible way of working for staff, the right performance measures are essential to help ensure that expected outcomes are attained.</p> <p>Risk – the Council fails to meet its corporate objectives</p>	High	We will be reviewing performance management across the Council. We have received specific requests from some services to review their proposed performance measures.
Commercialisation and Project Management	<p>The Council is embarking on a number of new commercial projects aimed at improving service delivery in a cost neutral way and in the long term looking at projects that could return a profit for the Council.</p> <p>Risk - Financial risks. Failure to meet objectives and purpose. Reputational risks.</p>	High	We will review a sample of projects to ensure compliance with the Council’s Commercialisation Strategy
Chief Finance Officer			
Main Accounting	<p>The accounting function of the Council</p> <p>Risk - Financial risk, non-compliance with regulations</p>	High	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.
Income Management	<p>The management of income to the Council</p> <p>Risk – financial risk</p>	High	As above. We anticipate that a new Income management system will be introduced in 2020/21 and therefore assurance around the new system will be required.
Procurement	<p>Procurement of goods and services for the Council.</p> <p>Risk – value for money risk, financial risk</p>	High	We will review a sample of procurements undertaken during 19/20 to ensure that they adhere to Public Contract Regulations and Council policies and procedures.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
Creditors	<p>Payment of the Councils suppliers of goods and services</p> <p>Risk – financial risk, risk of fraudulent transactions</p>	High	Cyclical coverage of the core financial systems to meet regulatory requirements. Reviews of the use and management of the Corporate Credit cards.
Treasury Management	<p>Management of the Council’s cash flow and investments, its banking, money market and capital market transactions.</p> <p>Risk – financial risk</p>	Medium	Compliance with the Council’s Treasury Management Strategy.
VAT	<p>Management of the Value Added Tax process</p> <p>Risk – non-compliance with regulations, risk of financial penalties</p>	Medium	<p>This had been due at the end of 19/20, however, due to staff changes this audit needed to be postponed.</p> <p>Review to provide assurance on the compliance with VAT regulations.</p>
Insurance	<p>Management of the Council’s Insurance</p> <p>Risk – fraudulent insurance claims, inappropriate or insufficient insurance cover, financial risk</p>	Low	<p>This had been due at the end of 19/20, however, due to staff changes this audit needed to be postponed.</p> <p>General assurance work</p>
City Solicitor			
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	General assurance work and a review of the new self-service system.
Members Expenses	<p>Members receive expenses related to conducting their official duties and reimbursement of out of pocket expenses.</p> <p>Risk - financial and reputational risk.</p>	Low	Internal Audit have recently received a number of complaints from members of the public about member’s expenses, which has prompted this review. Whilst we do not anticipate finding any issues we need

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
			to be able to satisfy ourselves that everything is in order.
Director – Jo Yelland			
Health and Safety	<p>Health and Safety is a legislative requirement.</p> <p>Risk – legislative risk, risk of significant financial penalties</p>	High	General assurance on compliance taking into account current priorities and concerns raised by the Health and Safety Committee.
Private Sector Landlord Services	<p>Services relating to private sector landlords. This includes finding tenants to support with grant applications for energy saving measures and necessary home improvements to assist people to be able to stay in their homes e.g. Disabled Facilities Grants.</p> <p>Risk - financial, fraudulent grant claims</p>	Medium	To undertake a review of the administration of Houses in Multiple Occupation Licenses.
Better Care Fund	<p>The Better Care Fund (BCF) provides financial support for councils and NHS organisations to jointly plan and deliver local services.</p> <p>Risk - financial and reputational risk</p>	Medium	To provide assurance that any schemes being operated with Exeter City Council are in accordance with regulations.
Sport England Project	<p>This project aims that Exeter and Cranbrook will be a pioneering place for leading an active lifestyle. Exeter will become the most active city in England and Cranbrook will be a model of best practice in encouraging families to be active together.</p> <p>The pilot will encourage 10,000 of Exeter & Cranbrook's least active residents to lead regular active lifestyles by:</p>	Medium	To provide assurance that the project is meeting its objectives and that measures are being taken to reduce or control financial and reputational risks.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
	<ul style="list-style-type: none"> • Narrowing stubborn health inequality by encouraging those least likely to take part in activity to lead active lifestyles. • Improved inclusivity and sense of community connectivity and belonging. • A reduction in congestion and improved air quality influenced by more people walking and cycling. • An embedded analytical approach, using integrated data to inform decisions and share learning. <p>Risk - financial and reputational risk</p>		
Director – David Bartram			
Home Call Alarms	<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>Risk - financial and reputational risk</p>	Low	Although low risk the manager of the service has requested a review due to changes in staffing and some changes in procedures and would like assurance that the amendments are operating as expected.
Corporate Property Assets	<p>The Council has a number of property assets across the City.</p> <p>Risk - financial risk</p>	Medium	General assurance work
Director – Jon Paul Hedge			

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
Communications – social media	<p>The Council uses Social Media as a tool to provide information to the public. A number of officers across the Council are able to publish information via Social Media.</p> <p>Risk - reputational risk.</p>	Medium	To provide assurance that the Council’s Social Media Policy is effective and being followed.
Events, Arts and Culture	<p>The Council provides a number of arts and culture events across the City throughout the year.</p> <p>Risk - reputational and financial risk</p>	Medium	A review of the service for general assurance following the Exeter Festival re-launch.
Director – Bindu Arjoon			
Housing Benefits	<p>Processing and payment of Housing Benefit.</p> <p>Risk – financial risk, subsidy penalties</p>	High	General assurance. This is an area covered in depth by our External auditors, therefore the level of coverage by Internal Audit will be reduced.
Council Tax	<p>Council tax is the main source of locally-raised income for local authorities. Council tax is made up of several elements. Exeter City Council, as a ‘collecting authority’ is responsible for collecting the council tax for Devon County Council, Devon & Somerset Fire and Rescue service and Devon & Cornwall Police Authority</p> <p>Risk - financial risk</p>	Medium	General assurance that controls are working effectively.
Sundry Debtors	<p>Exeter City Council generates income from a wide range of services for example Planning application fees, collecting trade waste and hiring out conference facilities. Where income is not</p>	Medium	General assurance that the internal control system is working effectively.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
	<p>collected at the point of sale it is collected via a sundry debtors invoice.</p> <p>Risk - financial risk</p>		
NDR	<p>Collection of rates from business properties.</p> <p>Risk - financial risk, loss of income</p>	High	General assurance with emphasis on procedures that maximise income.
Housing	<p>Provision of social housing, assessment of housing need, support for homelessness and the provision of good quality accommodation across the city.</p> <p>Risk - financial, legislative and reputational risk</p>	High	Housing Needs – to undertake a review of the Housing Access service (maximising access to the private rented sector to increase the supply of good quality accommodation).