



# **Annual Report 2019-20**

## **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

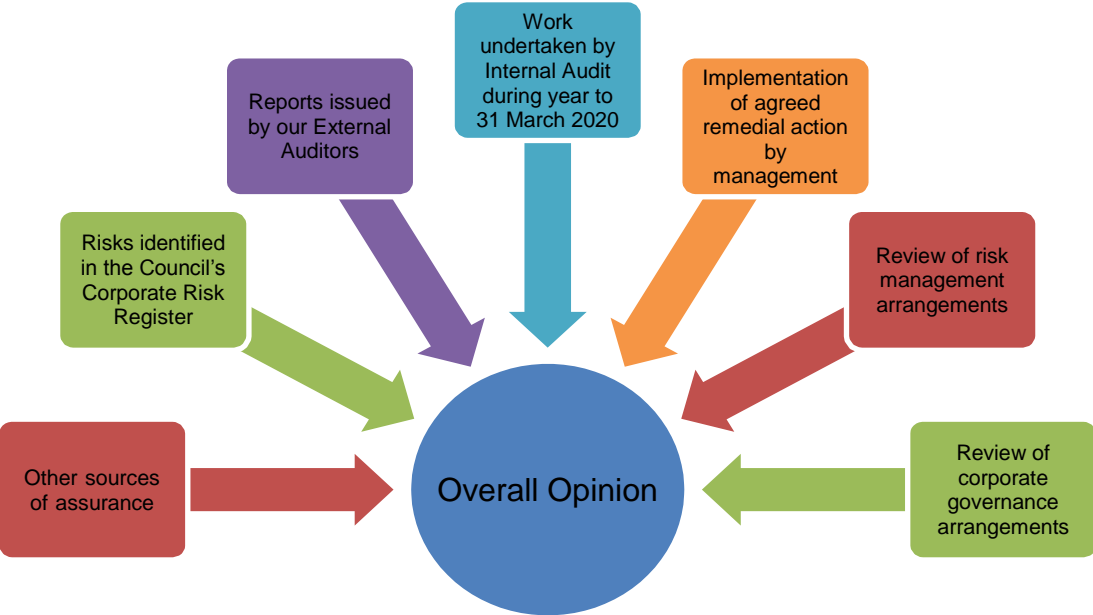
- 1.6 The Public Sector Internal Audit Standards 2017 (PSIAS) defines Internal Audit as "... *an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined 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 2019.

## 2. Overall Opinion and Assurance Statement

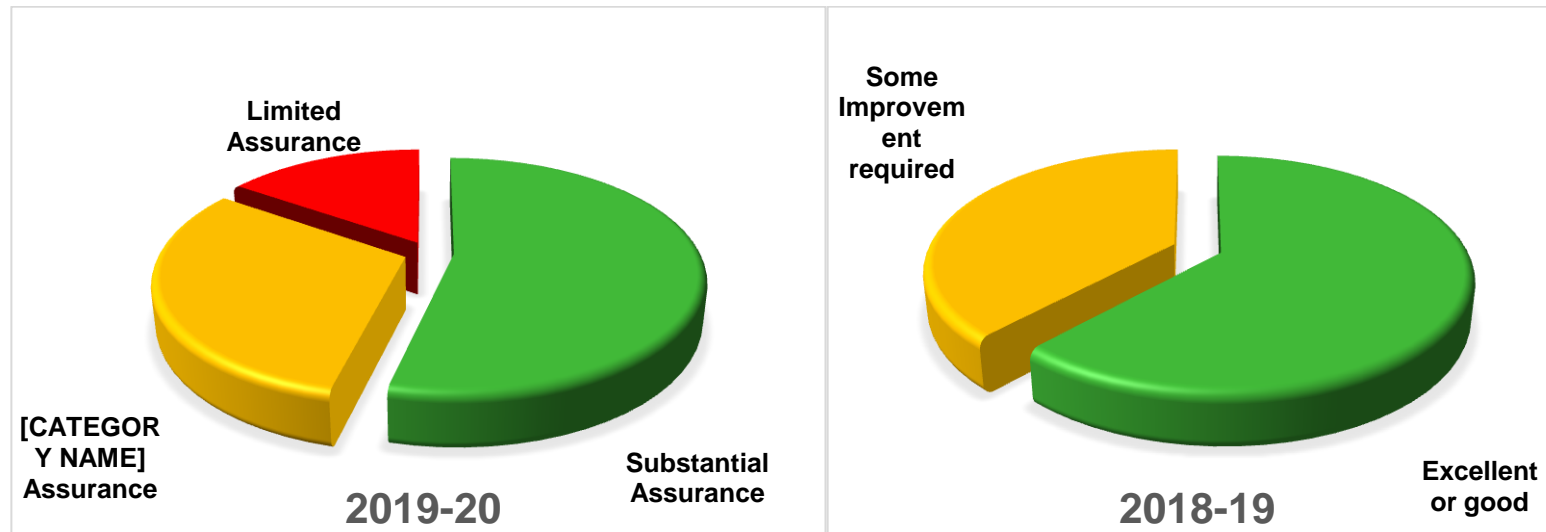
### Basis of Opinion

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 2018/19 which shows an increase in the overall percentage of limited 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 2020-21 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 2020.

## 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. During 2019-20 the Council has also moved to an agile and flexible working environment. 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. In light of Covid19 and the need for ongoing social distancing for the foreseeable future, the planned rollout of contract management training across the organisation will be reviewed and options considered around virtual and online training.
- 3.4 Due to the Covid19 pandemic and the lockdown measures that were put in place in March 2020, the Council is facing increased cost and demand pressures at the same time as seeing a significant drop in income. Support from Central Government has mitigated some of the pressures, but the longer term impact could still be damaging to the Council's financial position.
- 3.5 Due to the Covid19 pandemic and the lockdown measures that were put in place in March 2020, the Government has laid new regulations before Parliament to allow for virtual Council meetings to be held. The Council was the first to use the new regulations, holding a meeting of the Executive virtually, two days after the regulations came into force. Initial meetings were held via Skype for Business, but this has been replaced by Zoom. All meetings are streamed live via Facebook as they were previously to enable the public to view all Council business transparently. Members of the Public can also "attend" the meeting to ask questions using the normal notification procedure.
- 3.6 The move to an agile and flexible working environment as part of the Organisational Development Plan will impact on the control environment in some instances which will require a review and in some cases adaptation of existing controls.

3.7 The Covid19 pandemic has created a significant increase in fraud risk. The Council has already experienced at least one instance of a fraudster attempting to change a suppliers bank details. Grant schemes always attract individuals hoping to exploit the system and with the Government Covid19 grants schemes this risk has also further increased.

3.8 These 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

3.9 During the last twelve months the Council has been working with Zurich, the Council's insurance providers and Internal Audit, to review the Corporate Risk Register and to work with services to review their own operational Risk Registers. This has led to a streamlining of the Corporate Risk Register and a reduction in the number of risks recorded with many of the risks being moved to the Operational Risk Registers. The Risk Management Guidance has been updated accordingly. Zurich, supported by Internal Audit, have provided a number of briefing sessions to Managers to guide them through the risk management and business continuity process and to assist in the establishment or update of the Service's Risk Registers and Business Continuity Plans.

3.10 Following a review of responsibilities in response to moving forward with the Organisational Development Plan, the process for reviewing and updating the Corporate Risk Register is now facilitated by Internal Audit.

### Counter Fraud

3.11 During 2019-20 we have conducted a high level review and updated the Fighting Fraud Locally self-assessment checklist. The Government has just published a revised Fighting Fraud and Corruption Locally Strategy for the 2020's, which will be launched officially later this year (October 2020). We will be conducting a further and more detailed self-assessment against the new strategy later in the financial year.

### Regulation of Investigatory Powers (RIPA)

3.12 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 2019-20 RIPA powers were not used by this Council.

## 4. Delivery of 2019-20 Audit Plan

4.1 The Internal Audit plan for 2019-20 was approved by the Audit and Governance Committee in March 2019 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 - 1<sup>st</sup> January 2020 to 31<sup>st</sup> March 2020).

#### PROGRESS OF 2019/20 AUDIT PLAN AND SUMMARY OF OUTCOMES

Audit Area	Budget	Actual	Report	Direction of travel	Audit opinion	Summary of Audit Outcome
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	Days	Days	Status	since last audit		
Planning (Follow-up) Building Control (Follow-up) New Homes Bonus (Follow-up) CIL/Section 106 (Follow-up)	29	15.6	Final	N/A	For information only, no opinion issued	This report relates to the combined follow-up of the following Internal Audit reports issued during the previous financial year: <ul style="list-style-type: none"> <li>• Planning – June 2018 (Assurance rating: Some improvement required)</li> <li>• Building Control – April 2018 (Assurance rating: Good)</li> <li>• S106 agreements – July 2018 (Assurance rating: Some improvement required)</li> <li>• CIL/S106 – September 2017 (Assurance rating: Some improvement required)</li> </ul> It was identified at the pre-audit meeting that a significant number of actions were still outstanding in respect of the previous CIL/S106 action plans. As a result of the above, the scope of this audit was to: <ul style="list-style-type: none"> <li>• for all the above areas - to review progress to date on implementing the agreed recommendations from the last report, identifying all outstanding actions</li> <li>• review the current processing times for minor and major there has been an improvement in the processing times taken for planning applications since the last audit and a reduction in the backlog situation. There are still a few weaknesses in the areas covered by the audits but the introduction of the new computer system (Exacom) by the end of March 2020 should greatly assist officers in maintaining accurate records of S106 and CIL arrangements and in monitoring trigger points and recovering contributions due.</li> </ul>
Main Accounting	10	6.7	In progress			This audit was put on hold due to Covid19 pandemic.
Income Management	15	12.6	Draft			
Procurement	15	36.1	Draft			
Creditors – duplicate payments	10	22.1	Final	↔	Substantial	The Council uses a purchase ledger system (EFINS) to make payments. Ideally all goods and services are purchased following the raising of a purchase order, however this is not mandatory and it increases the risk of duplicate and overpayments being made. As a side note to this, the Council's External Auditors have hi-lighted the lack of purchase orders being raised within the Council. As a result of this, the Chief Finance Officer has referred this to the Senior Management Board and it is now being progressed by this team. This should then have the knock-on effect of




						<p>reducing the number of duplicate and overpayments made.</p> <p>The scope of the audit included:</p> <ul style="list-style-type: none"> <li>• reviewing all potential duplicates/overpayments for the period 1 May 2018 to 16 May 2019</li> <li>• checking that recovery action has been taken when invoices were paid twice or overpayments made</li> <li>• ensuring that the credit notes registered on EFINS as at 16 May 2019 will be offset by future invoices issued by the supplier or where the supplier is unlikely to be used again, the service area has requested a BACS refund.</li> </ul> <p>A total of 5 'medium' risk finding were identified and remedial action was agreed with management.</p>
Creditors – Corporate Credit Card	10	10	Final	Previous audits have been combined with creditor payments	Substantial	<p>In addition to paying Creditors via EFINS (which is the Council's purchase ledger system) there is also the facility for staff to purchase items using one of the Council's credit cards which are held by nominated officers.</p> <p>As at October 2019, corporate credit cards had been issued to 51 members of staff.</p> <p>The scope of the audit included checks that; a separation of duties exist between the person placing the order and the person authorising the order; the order is authorised prior to it being placed and where applicable, a valid VAT receipt is held.</p> <p>Remedial action has been agreed for all findings. The medium risk findings related to incorrect VAT codings and lack of evidence to support prior approval of some transactions.</p>
VAT	10	7.8	Draft			
Insurance	7	0.2	Defer to 20/21			Note: Audit deferred to 2020/21 due to restructure and significant staff changes
People Management	20	16.2	Final	↓	Limited	<p>The Transactional Services Team provide HR, payroll, Learning &amp; Development and recruitment administration for the Council. Furthermore, the team also provide the payroll function for three Citizen Advice Bureau's in Devon, the Exeter Business Centre and Exeter City Living.</p> <p>There are currently 700 full/part time salaried employees and 688 casual employees, this includes 452 casually employed for election work.</p> <p>The scope of the audit included checks on; starters and leavers details; variable monthly payments to and from employee salaries; the procedures in place for identifying IR35 contractors; the process undertaken when services are procured by/from Human Resource</p>

						<p>At the time of final report there was one risk relating to the lack of guidance to Managers about the correct administration of IR35 contractors, where remedial action wasn't agreed, however, we have since been advised that the Manager has now agreed to issue guidance.</p> <p>With the exception of the above remedial action was agreed for all findings.</p> <p>Medium risk findings related to:</p> <ul style="list-style-type: none"> <li>• Lack of evidence to support qualifications and references for some starters; variations to pay and amendments to final pay.</li> <li>• The administration of IR35 contractors</li> <li>• Failure to comply with contract regulations</li> </ul>
Environmental Health – Warm-up grants	7	7.6	Final	Not previously audited	Satisfactory	<p>In 2015 the government introduced the Better Care Fund in an attempt to bring health and social care together in an integrated way. The fund is a combination of government funding from the Department of Health and the Department for Communities and Local Government and includes the grant allocation for Disabled Facilities Grants and Warm Up Grants.</p> <p>Warm up grants (up to a maximum of £2k per property) provide:</p> <ul style="list-style-type: none"> <li>• top up funding for energy efficiency measures where energy providers are part funding energy efficiency measures under their Energy Company Obligation (ECO) or</li> <li>• to fund energy efficiency measures which do not attract Energy Company Obligation which do not attract Energy Company Obligation, for example, insulation to mobile homes and the installation of central heating for the first time.</li> </ul> <p>For the period 01/04/18 to 21/06/19 a total of 94 warm up grant payments were made, with a total value of £176,780.</p> <p>The Scope of the audit included a review of the following areas:</p> <ul style="list-style-type: none"> <li>• Policies and procedures</li> <li>• Eligibility</li> <li>• Approval of applications</li> <li>• Checks on new suppliers</li> <li>• Supplier agreements, e.g. data sharing</li> <li>• Payment of grant and authorisation</li> <li>• Monitoring of grant income</li> </ul> <p>Samples of transactions were selected over the period 1 April 2018 to 21 June 2019 for examination and members of staff were interviewed in order to check</p>

						<p>the effectiveness of the internal controls and procedures in operation.</p> <p>A total of 7 'medium' risk issues raised and remedial action was agreed with management.</p>
Health & Safety	8	7.1	Draft			
Car Parks	9	8.1	Final	No previous audit	Satisfactory	<p>The City Council operate 32 car parks which provides more than 4,000 parking spaces for the needs of shoppers, residents, visitors and people who work in the City.</p> <p>There is a charge for using the car parks, if the car park users fail to comply with these charges then penalty notices are issued. The issuing of penalty notices/civil parking enforcement is covered under the Traffic Management Action 2004, and Civil Enforcement Officers (CEO's) undertake this role.</p> <p>There are two separate teams within Public Realm – Car Parks; CEO – Car Parks Their prime responsibility is undertaking parking enforcement in the car parks.</p> <p>CEO – Response and Cash In Transit (CIT) The Response team deals with travellers, stray dogs, tent removal and anti-social behaviour. The CIT team undertake the cash collection role for both Exeter City Council and Teignbridge District Council. When resources allow both of these teams will also undertake parking enforcement.</p> <p>The Car Park and Response CEO's often work alone and in some instances experience very hostile environments</p> <p>The overall objective of this audit was to review operational controls in respect of staff safety and the provision of personal protection equipment and to identify improvements where relevant.</p> <p>The scope of the audit included checking:</p> <ul style="list-style-type: none"> <li>• that the correct personal protective equipment (PPE) is being provided</li> <li>• that staff are correctly wearing and/or using the PPE</li> <li>• that operational protocols are sufficient to help protect staff</li> <li>• what improvements are needed to ensure staff are safe</li> </ul> <p>Remedial action has been agreed with management for all six medium risk findings identified.</p>
Housing Benefits – Transfer to Universal Credit	10	6.3	Final	N/A	Report for information only – no audit opinion	<p>Universal Credit Full Service was rolled out in Exeter from 26 September 2018. From this date the legal gateway for most working age customers to claim Housing Benefit was closed.</p>

					issued	<p>Further changes were made to the gateway conditions in January 2019 (Severe Disability Premium) and February 2019 (families with more than two children). The scope of the audit was to test a sample of current claims in receipt of HB to provide assurance that claims were being handled correctly and that none of the claimants should actually be claiming Universal Credit.</p> <p>There were no issues arising.</p>
NDR	10	9.3	Final		Substantial	<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>Exeter City Council is in the Devon Business Rates Pool for which Plymouth is the lead authority. Under the business rates retention arrangements introduced from 1<sup>st</sup> April 2013, authorities keep a proportion of the business rates paid locally.</p> <p>The scope of the audit included; identification of new properties; notifications to the Valuation Office; VO reconciliations; reliefs and exemptions (including retail relief); billing system parameters and income and refund reconciliations</p> <p>We were pleased to note that no high or medium risks were identified</p>
Housing Development Company	5	2	Defer to 20/21			<p>This audit was started but deferred to 20/21 due to the Covid19 outbreak.</p>
Housing Customers/ Assets – Mutual Exchanges	15	21.3	Final	Not previously audited	Substantial	<p>A mutual exchange is a home swap between two social housing tenants. It can happen for many reasons, such as needing more (or less) space, moving for work or to be closer to family. It is a good option for social housing tenants who cannot access or do not want to wait for the normal allocation process. It gives tenants more control and enables them to choose a home that suits their needs better in a place that they want to live.</p> <p>ECC Tenants can transfer with other ECC tenants or they can also swap with tenants of other Registered Social Landlords, in the area and outside. They can use a website (HomeSwapper) to help search for possible swaps and to get in touch with other tenants.</p> <p>The legislation covering mutual exchanges is contained in the Housing Acts 1985/1988/1996/2004, Localism Act 2011 and the Transfer and Right to Acquire (Exclusion) Regulations 2012.</p> <p>Since 1 August 2018, there were approximately 70 new tenancies with a start reason 'internal or external exchange'.</p> <p>The scope of the testing included a review of the following areas:</p> <ul style="list-style-type: none"> <li>• policies and procedures</li> </ul>

						<ul style="list-style-type: none"> <li>• processing of application</li> <li>• checks on applicants – including rent arrears, over/under occupation etc.</li> <li>• property inspections</li> <li>• confirmation of non-standard items left in properties</li> <li>• completion of assignment deeds</li> <li>• refusals</li> <li>• appeals</li> </ul> <p>A total of 5 'medium' risk issues were identified and remedial action agreed with management.</p>
Housing Customers/ Assets – Disabled Adaptations			Final		Satisfactory	<p>Housing tenants are considered for a disabled adaptation if they have a physical or other disability for illness which has a serious and long term effect on their ability to carry out normal day-to-day activities, or if they are the spouse, partner or a member of the immediate family who is permanently resident at the address.</p> <p>In accordance with the Housing Grants, Construction and Regeneration Act 1996, the Council will only carry out adaptations that are reasonable and practicable for the property.</p> <p>Since 1 August 2018, approximately 495 payments for disabled adaptations have been made. The 2018/19 budget for disabled adaptations is £595,910 of which £136,731 had been spent as at 14/08/19.</p> <p>The scope of the testing included a review of the following areas:</p> <ul style="list-style-type: none"> <li>• Applications and supporting evidence</li> <li>• Prioritisation of disabled works</li> <li>• Pre-works property visits</li> <li>• Post-work completion quality checks</li> </ul> <p>A total of 8 'medium' risk issues were identified and remedial action agreed with management.</p>
Civic Ceremonials	5	8.5	Final	No previous report	Satisfactory	<p>The Mayoralty Team are responsible for the Council's Civic functions. Each year they organise over 20 civic ceremonies, examples of which are the St George's Parade, Armed Forces Day, Legal Sunday, Lammas Fayre and the Annual Remembrance Day services. Furthermore, they manage the Lord Mayor's Charity and also undertake the administration of the hiring out of the Guildhall 'Main Hall' and 'Jurys Room'</p> <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 a selection of their processes as listed below;</p> <ul style="list-style-type: none"> <li>• the Lord Mayor's Charity</li> <li>• the Guildhall booking process</li> </ul>

					<ul style="list-style-type: none"> <li>• the gift and alcohol stock held at the Guildhall</li> <li>• the employment of casual staff at the Guildhall</li> </ul> <p>The sample of Guildhall 'bookings' were selected from 2018 to date.</p> <p>The 'high' risk findings related to Lord Mayor's Charity Trust Deed. The team were not aware of the trust and therefore were unable to confirm that the Council had been complying with the requirements of the Charity Commission. Since the audit further advice from Legal Services and the Finance Team have confirmed that the Council submit the required returns to the Charity Commission on an annual basis.</p> <p>Remedial action has been agreed with management for all findings.</p>
Corporate Governance	10	10	Final	↑	<p>Substantial</p> <p>A full copy of this audit report was issued to all members of this committee on 11<sup>th</sup> May 2020.</p> <p>The Framework Delivering Good Governance In Local Government, published by CIPFA in association with Solace in 2007, sets the standard for local authority governance in the UK. CIPFA and Solace reviewed the Framework in 2015 to ensure that it remains 'fit for purpose' and published a revised edition in spring 2016. The concept underpinning the Framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance. The overall aim is to ensure that:</p> <ul style="list-style-type: none"> <li>• resources are directed in accordance with agreed policy and according to priorities</li> <li>• that there is sound and inclusive decision making</li> <li>• and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.</li> </ul> <p>The scope of the audit included a review of the following seven core principles of good governance from Delivering Good Governance in Local Government Framework (CIPFA/Solace 2016) which are:</p> <ul style="list-style-type: none"> <li>- behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law</li> <li>- ensuring openness and comprehensive stakeholder engagement</li> <li>- defining outcomes in terms of sustainable economic, social and environmental benefits</li> <li>- determining the interventions necessary to optimise the achievement of the intended outcomes</li> <li>- developing the entity's capacity, including the capability of its leadership and the individuals within it</li> <li>- managing risks and performance through robust internal control and strong public financial management</li> </ul>

						- implementing good practices in transparency, reporting and audit to deliver effective accountability
Risk Management	20	6.3	No report due			Internal Audit supported Executive Support and Zurich with a series of Risk Management workshops for Service Leads from November into March.
Business Continuity Management	12	0.4	Defer to 20/21			Deferred to 2020/21 due to the work being undertaken on risk management which will lead into services compiling business continuity plans.
Information Governance	10	5.2	Progress report only			<p>The scope of this audit was to review progress to date on implementing the agreed recommendations from the last audit report to provide an update to management and in addition, to provide assurance that the Council has an adequate information governance framework in place.</p> <p>Since the last report, a limited amount of work has been undertaken due to the move to an agile and flexible work place having taken priority. The work on this project has now largely completed so the IGF will resume meeting quarterly with effect from March 2020. Whilst there is still work to be undertaken in some areas to further improve existing policies, procedures and processes, the work undertaken to date provides assurance that the Council is now managing its information assets more effectively and therefore is reducing the risk of loss of information confidentiality, integrity and availability.</p>
Counter Fraud	10	8.1	No report due			During 2019-20 we have conducted a high level review and updated the Fighting Fraud Locally self-assessment checklist.
Partnerships	5	9.3	Draft			
Contract Management	15	8	Draft			
Community Grants Awarded	5	0.9	In progress			This audit was put on hold due to the Covid19 Pandemic
External Funding Received	9	11	Final	No previous report	Substantial	<p>External grant funding is generally the provision of monies from an external source in order to fund specific capital and revenue projects. The source of such funding is generally from Central Government i.e. New Homes Bonus payments and DWP grants but external funding can also come from private organisations such developers in the form of s106 monies.</p> <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 receipt and monitoring of External Funding.</p> <p>We were pleased to note that no high or medium risks were identified.</p>
Safeguarding	8	2	Defer to 20/21			Deferred to 20/21 as a result of the Covid19 outbreak
Project Management	10	3.9	No report due			<p>At the start of the year Internal Audit assisted with some due diligence work around the Leisure Development and Bus Station redevelopment contracts.</p> <p>(We weren't sure at the start of the year how much work we would be doing in this area but there wasn't as much to do as expected.)</p>

Disabled Facilities Grant	8	8.5	Final	↔	Substantial	<p>If a house owner or someone living in their property is disabled they may qualify for a disabled facilities grant towards the cost of providing adaptations and facilities to enable the disabled person to continue living there.</p> <p>The awarding of these 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 2018/19 year, ECC was awarded £801,181 from the Better Care Fund, which included £231,453 of underspend in respect of the previous year (2017/18).</p> <p>The local allocation formula helps allocate surplus funds to local authorities where the greatest demand for DFG's arises. The 2018/19 formula was based upon the average DFG actual spend for the last two years at a district council level, plus an equal allocation for top-ups based upon the last two year spend by DCC, plus an equal share of the remaining pot to be allocated to deliver the new Regulatory Reform Order (RRO) policy. The RRO policy allows local authorities to create assistance schemes which help people meet their needs without going through the full DFG process.</p> <p>Samples of transactions were selected over the period 1 April 2018 to 31 March 2019 for examination and members of staff were interviewed in order to check the effectiveness of the internal controls and procedures in operation.</p> <p>A total of 3 'medium' issues were identified and remedial action agreed with management.</p>
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#### Other

RIPA Administration	3	1.4
Contingency (special/frauds) including unplanned work	30	73.5*
Follow-ups	12	14
Audit Development – Data Analysis/CAAT development/stakeholder survey	15	8.9
Process Mapping	30	24.5



Audit planning and control	50	41.3
NFI	3	10.1
External Audit	3	0.6
Review of hospitality/disclosures	2	1.3
PSIAS Peer Review	5	3.6
<b>Total</b>	<b>470</b>	<b>450.3**</b>

Notes

\* 37 days spent on Agile and Flexible Project (unplanned)

\*\* Overspend on non-productive time i.e. Admin and Meetings and Elections has resulted in the shortfall of productive time shown here.

## 5. Summary of investigations 2019/20

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 50 reports during 2019/20, (42 in 2018/19) and increase of 23% of which:**

- 29 were received via the online “Report It” facility on the website (29 were reported anonymously)
- 6 were received via the telephone fraud hotline
- 10 were received via email
- 5 concerns were raised with Internal Audit direct

**Of the 50 reports received:**

- 15 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.
- 8 were allegations of housing tenancy issues
- 13 issues were in relation to other Council Services
- 6 were issues not dealt with by the Council so were referred to the appropriate external agency
- 3 were in respect of Right to Buy applications

**Internal Audit Investigations**

- 4 cases referred to Internal Audit were investigated but were not proven
- 1 investigation is still ongoing

### Fraud identified within other services 1 April 2019 to 31 March 2020

Date Notified	Type of Fraud	Number of cases	Total value of fraud	How detected
28.06.19	Corporate Credit Card	1	£385.95	Card holder identified fraud and notified Finance. Finance reported to the Council's bank who refunded the money. A new card was also issued to the card holder.

### Use of Whistleblowing policy

Although a number of concerns were raised throughout the year, none were required to be dealt with under the 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%	92%
Customer satisfaction - % Good or Excellent as per feedback forms	90%	100%
Draft reports produced within 10 days	90%	95%
Final reports produced within 10 days	90%	100%
Follow-up within 12 months	95%	100%
Training days per auditor post per annum	6 days	3.9 days
Number of process improvements		5

6.4 The target for percentage of the audit plan completed was not met due to the implementation of the corporate Agile and Flexible work programme. A total of 37 days was spent on this project to enable to the team to attend a number of workshops and to complete work required as a result of the programme.

## User Feedback

6.5 The customer satisfaction results are derived from the customer satisfaction surveys issued following each individual audit. There were 10 surveys issued with 4 returned.

Some of the feedback comments received include:

- I have some knowledge of the audit process having worked in Financial Services for many years. The auditor is a great asset to the council.
- I find the Audit Opinion and Conclusions very helpful
- The fact that we could sit down and discuss the findings before the report was formally issued was a great help, as it allowed us to look at them in the context of everything else.
- The conduct of the auditor and audit reporting; the audit was carried out in a full and professional manner throughout. The auditor produced the draft report promptly and we were able to discuss the findings before the final report was issued.

## 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. In January 2020 an independent review was undertaken by the Devon Audit Partnership. As reported to this committee in March 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

### 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 2019/20, when it was found that the service was 97.9% compliant.

