



Annual Report 2020-21

Internal Audit Service

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1. Introduction

Purpose of this report

- 1.1 The Director Finance, 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 directives 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

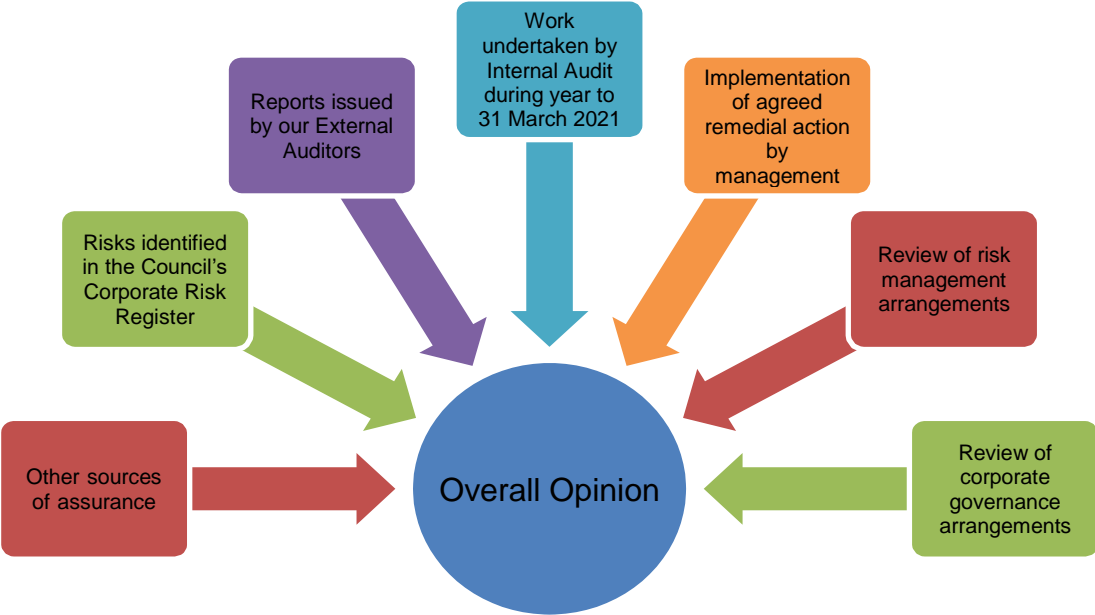
1.6 The Public Sector Internal Audit Standards 2017 (PSIAS) defines Internal Audit as “... an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined 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 2020.

2. Overall Opinion and Assurance Statement

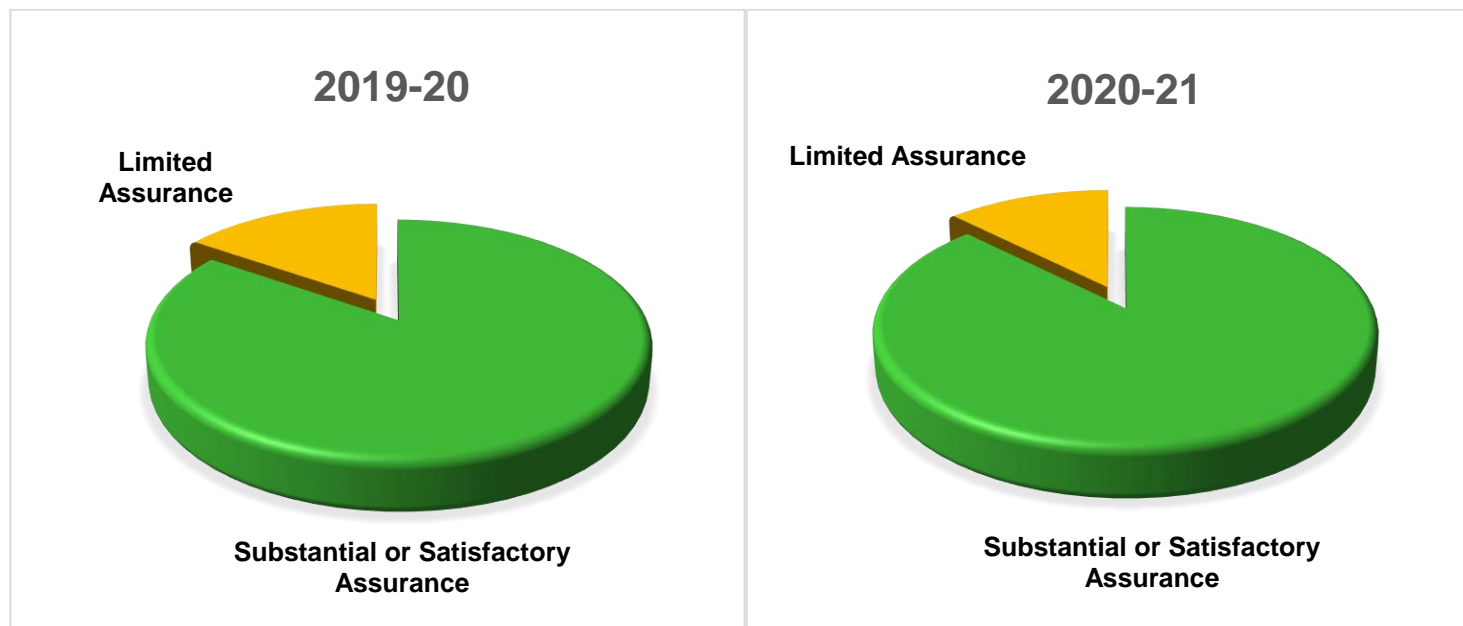
Basis of Opinion

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 2019/20 which shows the overall percentage of limited assurance ratings has slightly decreased.



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 2021-22 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 2021.

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 Financial position - 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.
- 3.3 Information security in the expanded work environment - The rapid widespread shift to homeworking amid national lockdowns in 2020 brought with it a unique data security challenge. Lacking personal interaction, staff can be more susceptible to social engineering ploys as they cannot immediately sense-check emails with nearby co-workers. Given that the Council is likely to keep a greater degree of remote and flexible working arrangements in place going forward, it is more important than ever that information security culture is promoted throughout every level of the organisation to raise awareness and ensure the integrity of staff behaviour.
- 3.4 Change Management – the current scale and pace of change due to a number of factors presents a risk to achieving objectives and may impact the extent to which the organisation is capable of maintaining acceptable levels of compliance amid the shake-up of operations and control systems. These factors include the following:
- response to the global pandemic
 - recovery from the global pandemic
 - external factors e.g. regulatory change and compliance, climate change
 - internal factors e.g. Organisational Development plan to deliver the digitalisation/transformation of service delivery, bringing Leisure in-house
- 3.5 Increase in commercial activity – Councils have both a legal and a moral duty to manage scarce resources responsibly. With the uncertainty surrounding Brexit and ongoing funding struggles, councils need to take a place based approach to choosing the most prudent commercial options and ensure that appropriate checks and balances are in place to manage the associated risks. High profile public interest reports and recent

organisational reviews show some common themes and issues among councils undertaking commercial activities. The potential for issues can generally be linked to organisational governance, leadership, capacity, financial stability, and culture, including:

- a lack of understanding of roles and responsibilities
- a lack of skills around commercial decision making
- an optimism bias that does not reflect the true position
- a lack of strategic rationale surrounding the creation of companies
- a reluctance to listen to challenges.

Whilst the issues detailed above have not specifically been identified by this Council, it is important that the potential risks are fully understood at the outset when entering into any new commercial activity and that the Council's commercialisation policies and procedures both recognise these risks and ensures effective controls are put in place to minimise them.

3.6 Bribery, fraud and other financial crime – The global pandemic resulted in a reduction to the planned audit programme during 2020/21 due to the redeployment and furloughing of staff and the prioritisation of the payment of business support grants. This reduction in the compliance resource increases the risk of both internal and external fraud.

In addition, historically, grant schemes always attract individuals hoping to exploit the system and with numerous government Business Support grants schemes which were introduced and paid out 'at pace' this risk has also further increased.

3.7 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

3.8 During the year, we worked with Service Leads to review operational risk registers and offer any advice and guidance as needed. The system seems to be working well to date. The administration of the Corporate Risk Register (CRR) also sits with Internal Audit and one of the Audit Managers meets with Directors and the Chief Executive on a regular basis to review the CRR prior to review by SMB.

Counter Fraud

3.9 During 2020-21 we have completed a risk assessment on behalf of the Council, to assess the level of risk the Council may be exposed to as a result of administering all of the business support grants, which has been submitted to government. Based on the risk assessment submitted, the government requested the necessary evidence to support the payment of a sample of grants as required by the Post Payment Assurance – Verification process. We are also in the process of undertaking post award assurance checking, following guidance issued by the government, for each scheme type.

Regulation of Investigatory Powers (RIPA)

3.10 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 2020-21 RIPA powers were not used by this Council. In March 2021, the Council was virtually inspected by the Investigatory Powers Commissioner's Office

in order to assess the level of complication with RIPA legislation. The subsequent report advised that the information provided during the virtual inspection demonstrated a level of compliance that removes, for the present, the requirements for a physical inspection.

4. Delivery of 2020-21 Audit Plan

4.1 The Internal Audit plan for 2020-21 was approved by the Audit and Governance Committee in March 2020 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 2021 to 31st March 2021). The Covid19 pandemic has had a significant impact on the audit plan for this year with a number of audits deferred to the 2021-22 financial year. Updates and changes to the plan have been reported quarterly and been approved by this committee.

PROGRESS OF 2020/21 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
IT/Strata - Creditors	8	12.2	Final	No previous audit	Limited	<p>Strata is a partnership which provides ICT services to East Devon, Exeter and Teignbridge District Councils. Strata is a stand-alone limited company which is owned and controlled equally by the three councils.</p> <p>Strata's support functions are provided by the three councils with Exeter providing the finance support function including the processing of orders, invoices and credit notes.</p> <p>The scope of this audit, included;</p> <ul style="list-style-type: none"> • A review of all duplicate payments processed from April 2019 to December 2020 • General review of invoices processed between April 2020 and December 2020 <p>The main finding categorised as 'high' risk related to the lack of separation of duties which is critical to effective internal control because it reduces the risk of erroneous actions and the ability to commit fraud. Due to this, the audit opinion is Limited Assurance.</p>
Main Accounting	5	3.3	Final	N/A	N/A	Review of narrative statement as requested by the Deputy Chief Finance Officer.
Income Management	15	16.2	Final	No previous audit	Satisfactory	<p>Internal Audit were asked to review the processes involved in selling materials for recycling. Assurance was needed that all recycling loads were invoiced promptly and all data flows reconciled. Concerns had been raised that there were delays in recycling income being posted to the financial system (EFINS), making it hard for budgets to be monitored effectively and for forecasting to be undertaken.</p> <p>Remedial action has been agreed for all findings. The medium risk findings related to reconciliations between weighbridge tickets and invoicing, delays in raising invoices and pricing of recycled materials.</p>
Procurement	10	10.4	Final	↔	Satisfactory	The Covid19 pandemic delayed the start of many procurement projects in 2020/21. At the start of the first lockdown, new procurements were put on hold to allow the Council time to evaluate its financial situation (a revised general fund budget was agreed by full

					Satisfactory	<p>Council on 21 July 2020). In the last three months, the number of new procurement projects advertised through ProContract (the Council's Tendering and Contract system) has increased (4 projects advertised in the last quarter of 2020/21).</p> <p>The procurement of the Integrated Asset Management contract (Housing repairs & maintenance) was selected for testing, due to its high contract value (estimated £60 million) and because of its importance to the Council and its tenants.</p> <p>In addition, the procurement of PPE (Personal Protective Equipment) was also reviewed due to the increased risk of fraudsters potentially exploiting the Covid19 pandemic in order to carry out fraud and cybercrime.</p> <p>Remedial action has been agreed for all findings.</p>
Creditors	15	28.2	Final	No previous comparable	Satisfactory	<p>Creditors are paid via the Council's purchase ledger system. Between 1 April and 30 June 2020, over 2,960 invoices (not including payments for refunds, business support grants, or to Strata) were processed.</p> <p>As a result of the COVID-19 crisis, some changes to the usual creditor process were implemented to enable Accounts Payable staff to work from home. Accounts Payable can now only accept invoices by e-mail and any paper invoices received at the Civic Centre are scanned by the CSU and e-mailed direct to Accounts Payable. The process for processing electricity bills was also amended.</p> <p>The potential risk of fraud has increased since the start of the COVID-19 pandemic, with many fraudsters using it as an opportunity to exploit organisations and individuals</p> <p>As a result of the increased risk of fraud, larger samples of creditor invoices were tested for this audit to ensure payments were bona fide. More detailed testing was carried out for higher risk transactions, or where there had been a change in processes e.g.:</p> <ul style="list-style-type: none"> - payments to new suppliers - high value payments - utility payments <p>The scope of the audit included a review of the following areas:</p> <ul style="list-style-type: none"> - Detailed invoice testing on invoices from new suppliers (set up since 23 March 2020) & those invoices over £4.5k - New suppliers - Payment of utility bills - Benford Law analysis <p>Remedial action was agreed with management for all findings.</p>
Corporate Credit Card	5	8	Final	↓	Satisfactory	<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 June 2020, corporate credit cards had been issued to 53 members of staff.</p> <p>The scope of this audit included checking that:</p> <ul style="list-style-type: none"> • separation of duties exist between the person placing the

						<p>order and the person authorising the order</p> <ul style="list-style-type: none"> • the order is authorised prior to it being placed • where applicable a valid VAT receipt/invoice is held <p>Remedial action has been agreed with management for all the findings identified.</p>
Treasury Management	8	8.5	Final	↔	Substantial	<p>The Treasury Management (TM) 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>As a result of the Covid19 pandemic there has been an increased level of Treasury Management activity to assist in the management of the Council's cash flow.</p> <p>In the period 1 April to 24 November 2020, there were 30 individual investments transactions. The Council's long term borrowing was standing at £126.044 million (£53.8 million General Fund and £72.244 HRA) at the end of September 2020. This in an increase of £15.4 million on the previous financial year.</p> <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 • External service providers • Records & reconciliations • Reports to Members <p>Remedial action was agreed with management for all findings.</p>
VAT	10	4.6				Deferred to 2021/22 due to Covid19 Pandemic.
Insurance	10	0.00				Deferred to 2021/22 due to Covid19 Pandemic.
People Management General Payroll Audit	20	37.9	Final	↔	Limited	<p>The new 'Self-Serve' payroll module has been introduced. This enables employees to input their payment claims, i.e. overtime, green travel, expenses etc. into the i-Trent payroll system.</p> <p>COVID 19 has seen a number of the Council facilities having to close with staff being placed on Furlough. This has resulted in additional work for the Payroll team as they had to calculate the amount of furlough to pay to staff and the subsequent amount to reclaim from HMRC, all of which has had to be undertaken 'outside' of i-Trent by means of spreadsheets. This is because the Council decided to continue paying staff 100% of their salary/pay yet could only reclaim 80% of pay plus 100% of Employers NIC and Pension Contributions from the Government.</p> <p>The Council owns a number of leisure centres throughout the City which have been managed for a number of years by Parkwood Leisure. It was decided not to renew the contract with Parkwood Leisure when it came up for renewal on 1st September instead the service was brought back to be managed 'in-house'. Payroll were therefore required</p>

						<p>to set up circa 160 new employees and ensure the information held on their Parkwood records were brought across to the i-Trent system and adjusted accordingly to allow for the fact that their hours and rates of pay under their Parkwood employment was different to those at the Council.</p> <p>The scope of the audit included:</p> <ul style="list-style-type: none"> • undertaking a general payroll audit to check starters, leavers and variable payments to staff and to include an overview of the new 'self-serve' i-Trent module • reviewing the operation of the governments Furlough Scheme • reviewing the TUPE transfer of Parkwood Leisure staff to the Council • undertaking an independent establishment check to ensure the accuracy of the establishment held within i-Trent <p>The majority of findings within the general payroll audit related to difficulties in locating evidence to support payments made due to the backlog in scanning and errors in the scanning process resulting in documents being saved to the incorrect file.</p> <p>Remedial action has been agreed with management for all findings in all areas audited.</p>
Furlough Scheme			Final	N/A	Satisfactory	See above.
Establishment Report			Final	N/A	Satisfactory	
Leisure Service			Final	N/A	Substantial	
			Final			
Members Expenses	5	0.00				Deferred to 2021/22 due to Covid19 Pandemic.
Health & Safety	12.	1.3				Deferred to 2021/22 due to Covid19 Pandemic.
Private Sector Landlord Services	7	0.00				Deferred to 2021/22 due to Covid19 Pandemic.
Better Care Fund	7	8.0	Final	↑	Substantial	<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 both 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"> • top up funding for energy efficiency measures where energy providers are part funding energy efficiency measures under their Energy Company Obligation (ECO) or • 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.

						<p>For the period 01/04/19 to 30/03/20 a total of 273 warm up grant payments were made, with a total value of £530,399.50</p> <p>The Scope of the audit included a review of the following areas:</p> <ul style="list-style-type: none"> • Policies and procedures • Eligibility • Approval of applications • Checks on new suppliers • Supplier agreements, e.g. data sharing • Payment of grant and authorisation • Monitoring of grant income <p>Remedial action has been agreed with management for the finding identified</p>
Sport England	10	0.6				Deferred to 2021/22 due to Covid19 Pandemic.
Homecall	8	0.1				Deferred to 2021/22 at the request of Director Net Zero Exeter & City Management due to the impact and heavy workload as a result of the Covid19 Pandemic on the Service Lead Environmental Health & Licensing and his team.
Corporate Property Assets	7	7.8	Final	↔	Substantial	<p>The Estates Services Team is part of the Corporate Property Unit and are responsible for the management of the Council's commercial and industrial property portfolio and a number of City Centre ground leases. Estates currently has more than 300 commercial properties in its portfolio. The Property Records part of the team hold the lease information and deeds of the Council's property ownership.</p> <p>In response to the Covid19 pandemic the Council offered commercial tenants a package of rent deferrals and concessions.</p> <p>The scope of this audit included a review of the following areas:</p> <ul style="list-style-type: none"> • Analysis on the level of income reduction for commercial rents since the start of the Covid19 crisis • Review of the strategies used for the collection of rent • Analysis of the effect the withdrawal of major rent grants from community/arts organisations has had on the collection of commercial rents <p>Remedial action has been agreed for all findings. The medium risk findings related to monitoring of arrears and the legal wording used on letters to tenants.</p>
Communications – Social Media	8	2.2	In progress			
Events, Arts & Culture	8	0.00				Deferred to 2021/22 due to Covid19 Pandemic.
Housing Benefits – Student Exemptions	8	9.1	Final	↔	Substantial	No matters arising.
Council Tax	12	14.0	Final	↔	Satisfactory	<p>Council tax is the system of local taxation used to part fund the services provided by local government. It was introduced in 1993 by the Local Government Finance Act 1992. Each residential property is allocated one of eight bands (A-H) on the basis of its assumed capital value. Each local authority sets a tax rate expressed as the annual levy on a band D property inhabited by two liable adults. This decision automatically sets the amounts levied on all types of households and dwellings.</p> <p>The scope of the audit included a review of the following areas:</p>

						<ul style="list-style-type: none"> • Out-of-date cheques process • Identification of new and amended properties (including completion notices) • Reconciliation of property control totals to the Valuation Office listings • Billing and liability system parameters • Eligibility for discounts and exemptions • Bill suppressions • System access rights <p>Remedial action has been agreed for all findings. The medium risk findings related to exemptions; empty properties and bill suppressions.</p>
Sundry Debtors	8	7	Draft			
NDR	10	0.00				As a result of the Government implementing 100% rate relief for 2020/21 as a response to the pandemic this audit is deferred until 21/22. Additional time will be allowed during 21/22 to provide assurance that business rates have been correctly reinstated.
Housing	15	19.9	Final	↔	Satisfactory	<p>'Right to Buy' gives eligible people who live in council properties in England the right to buy their home at a discount (subject to all conditions being met). The scheme is open to people who are secure tenants of a local council and who have spent at least 3 years as a public sector tenant.</p> <p>The agreed scope of the audit included a review of the following:</p> <ul style="list-style-type: none"> • policies and procedures • applications • eligibility • valuations • discounts • sales • leasehold • re-sales • records & reconciliations • money laundering • authorisation levels <p>Remedial action has been agreed for all findings.</p>
Corporate Governance	6	1.8	No report due			Time was spent on providing advice and guidance and producing the Annual Governance Statement .
Equalities & Diversity	8	0.1				Deferred to 2021/22 due to Covid19 Pandemic.
Risk Management	10	10.6	No report due			Work has been ongoing to assist services with review of their operational risk registers.
Business Continuity Management	10	9.2	Final	Report for information purposes only	N/A	<p>This year's annual audit plan included time to review the Council's business continuity arrangements. This was in response to an action to mitigate Item 6 on the Corporate Risk Register (Insufficient business continuity arrangements to recover critical services effectively).</p> <p>However, as the Council's plan had been invoked in response to the pandemic, rather than focusing on a review of the full process, it was felt that it was important to know and understand 'what had worked well' and 'what didn't work so well' and this formed the basis for the scope of the audit.</p>

						<p>After discussion with the Director with responsibility for BCM, all members of OMB were asked to input to the process by completing a questionnaire to identify:</p> <ul style="list-style-type: none"> • What worked well? • What didn't work so well? • How could this have been improved? <p>To ensure that this information could be captured in a structured format, the questionnaire required service leads to complete it, considering both their own service and the organisation as a whole, in the following key areas:</p> <ul style="list-style-type: none"> • Provision of strategic direction • Safety of staff, visitors and the wider community • Communications (internally – staff and Councillors) • Communications (externally – suppliers/partners, public, media) • Staff welfare • Working from home • Working in a council building e.g. civic centre (if applicable) • Management of critical activities • Working with partners/other agencies • Procurement of goods and services • Staff resources – lack of or need for additional resources • Any other comments/observations <p>The report has been presented to SMB for consideration.</p>
Information Governance	6	1.1				Deferred to 2021/22 due to Covid19 Pandemic.
Contract Management	15	19.7	Draft			
Performance Management	32	1.2				The Council 's Corporate Plan 'Our Strategy 2018-21' was approved by Executive on 9th October 2018 (updated Autumn 2020). To support this strategy, the Council's Operational Management Board were tasked with devising and implementing a performance management framework to show how the Council is progressing towards achieving strategic objectives and to prioritise resources. This framework has been drafted for approval by the Strategic Management Board. However, the global pandemic meant that this work was subsequently put on hold. As recovery from the pandemic continues, performance management will form an integral part of the 'One Exeter' programme. This audit has therefore been deferred until such time as a performance management framework is implemented expected to be during 2021/22.
Commercialisation & Project Management	10	5.7	Draft			
Disabled Facilities Grants	8	6.5	Final	↔	Substantial	<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 2019/20 year, ECC was allocated £621,907 from Devon's Better Care Fund, and there was a balance of £499,892 brought forward from the previous year (2018/19).</p>

						<p>The Council 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..</p> <p>The Scope of the audit included a review of the following areas:</p> <ul style="list-style-type: none"> • Policies and procedures • Eligibility • Approval of applications • Works • Conditions • Payments • Monitoring of grant income <p>Samples of transactions were selected over the period 1 April 2019 to 31 March 2020 for examination and members of staff were interviewed in order to check the effectiveness of the internal controls and procedures in operation.</p> <p>In this period 106 Discretionary grants were approved with a total value of £438,277.70.</p> <p>Remedial action has been agreed with management for the finding identified.</p>
Unplanned Additional Audit Work 20/21 and loss of audit days						
Covid19 Business Grants – administration and award of grants			Complete			The Audit Managers assisted the business rates team in the administration, assessment and awarding of the Covid19 Business Grants.
Covid19 Business Grants – post award assurance			In progress			The Government requires post award checking of the Covid19 Business grants. As the Audit Managers were involved in the administration process this has been allocated to another member of the audit team to provide some independence.
Support for Leisure Contract in-house e.g. Inventory and stock checks			Complete			The Audit team assisted with the inventory checks at the Leisure facilities to assist with the transfer of these facilities to be run in-house following the end of the current Leisure contract with Parkwood Leisure.
Re-deployment of staff to Exeter Community Hub			Complete			Two team members were deployed to the Exeter Community Hub for 12 hours per week for a total of 9 weeks.
Furlough of staff			Complete			One member of the team was furloughed for 6 weeks (24 days lost from audit plan)
Income Compensation Scheme for lost sales, fees and charges			In progress			At the request of the Director of Finance, Internal Audit audited the first claim submitted to government in respect of this scheme to ensure that the claim complies with the government guidelines. The time to undertake this audit was outside of the audit plan and was resourced by a member of staff working overtime. The claim for the year ended 31 March 2021 is currently being audited.

Other

RIPA Administration	1	1.8
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Contingency (special/frauds) including unplanned work	30	168.0
Follow-ups	10	4.1
Audit Development – Data Analysis/CAAT development/stakeholder survey	10	12.6
Biennial Stakeholder Survey	4	0.2
Process Mapping	20	0.1
Audit planning and control	50	46.9
NFI	5	3.0
External Audit	2	4.8
Review of hospitality/disclosures	3	0.00
PSIAS Peer Review	1	0.00
Total	472	483.3*

Notes

* Underspend on non-productive days i.e. training, elections and sickness resulted in the increase in productive days

5. Summary of investigations 2020/21

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 22 reports during 2020/21, (50 in 2019/20) and decrease of 23% of which:

- 11 were received via the online “Report It” facility on the website (8 were reported anonymously)
- 4 were received via the telephone fraud hotline
- 7 were received via email

Of the 22 reports received:

- 10 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.
- 4 were allegations of housing tenancy issues
- 2 issues were in relation to other Council Services
- 3 were issues not dealt with by the Council so were referred to the appropriate external agency
- 1 was in respect of Right to Buy applications
- 2 issues were in respect of NDR/Business grants

Fraud identified within other services 1 April 2020 to 31 March 2021

Date Notified	Type of Fraud	Number of cases	Total value of fraud	How detected
30.04.20	Mandate Fraud	1	£7470.00	Known supplier made request to change bank account details. Issue came to light when supplier chased payment. Suppliers

				email account had been hacked original request to change bank account found to be fraudulent.
02.11.20	Email/Credit Card	1	£400 No money was obtained by fraudsters as vouchers not sent.	Officer realised it was a scam part way through the transaction.
05.07.20	Corporate Credit Card	2	£199.00 £349.00	Contact from Bank requesting confirmation transactions genuine. Holder confirmed fraudulent.

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%	See note below
Customer satisfaction - % Good or Excellent as per feedback forms	90%	N/A (see note below)
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	0 days
Number of process improvements		1

6.4 The target for percentage of the audit plan completed was not met due to the significant impact of the Covid19 pandemic which included the redeployment and furloughing of some of the internal audit resource, as a result of this the target has little relevance and therefore will not be reported this year.

User Feedback

6.5 The customer satisfaction results are derived from the customer satisfaction surveys issued following each individual audit. Due to the Covid19 pandemic only 1 survey was issued and subsequently returned.

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. This assessment was last undertaken in January 2020. The next review will need to be undertaken by the end of January 2025.

Self-Assessment

6.8 The standard also requires that the Audit Manager undertakes a periodic self-assessment of compliance. The last self-assessment was undertaken in April 2020, when it was found that the service was 97.9% compliant.

