



# Annual Audit Plan 2023-24

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Audit Manager

## Contents

1. Introduction .....	2
2. Your Internal Audit Team .....	3
3. Conformance with internal auditing Standards .....	3
4. Council Vision .....	4
5. Council Risk .....	5
6. Developing the internal audit plan.....	8
7. Internal Audit Plan.....	9

## 1. 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.

## 2. 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

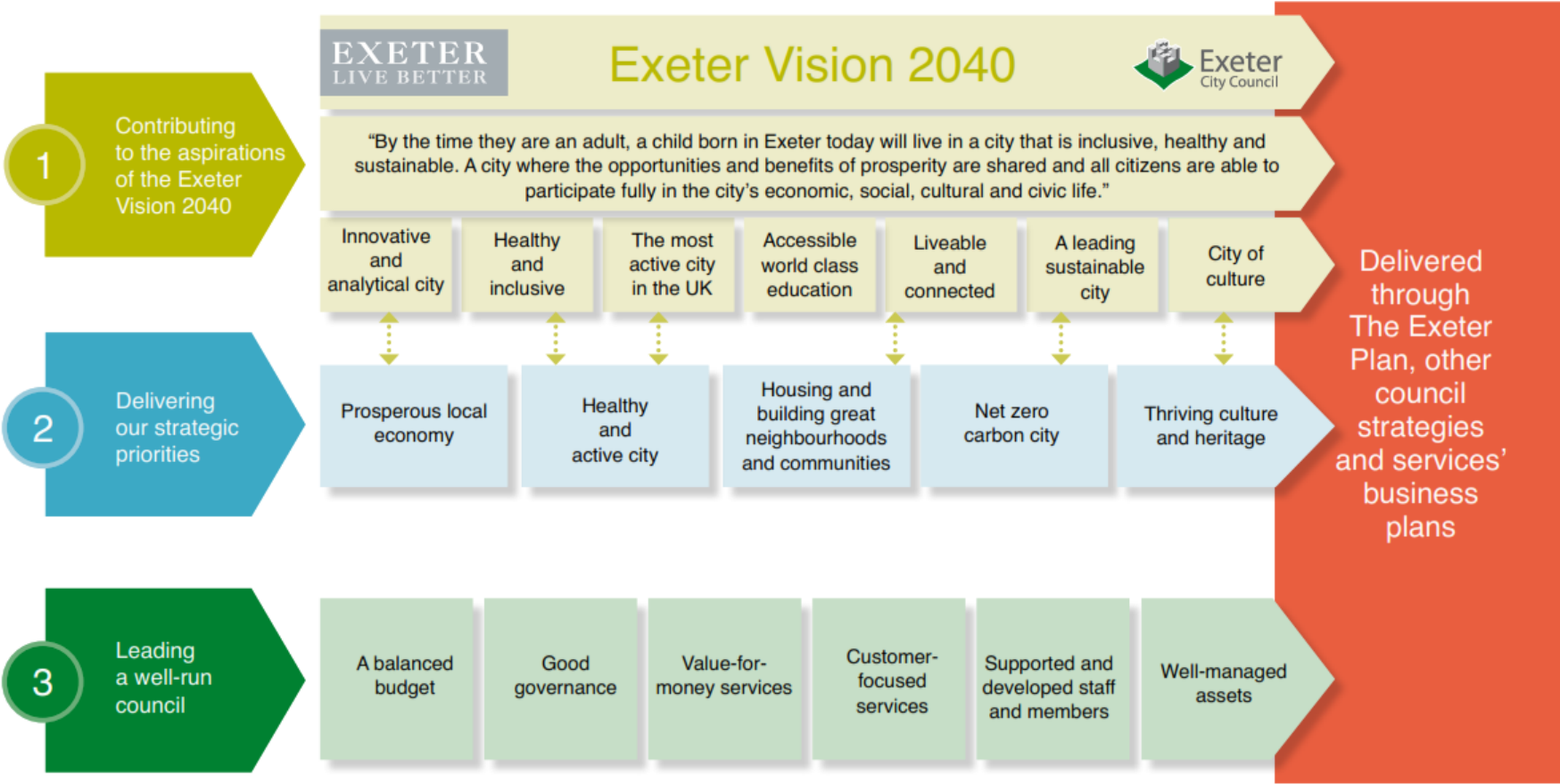
## 3. Conformance with internal auditing Standards

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. Our last external assessment, in January 2020, 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

# 4. Council' Corporate Plan

## Our plan on a page

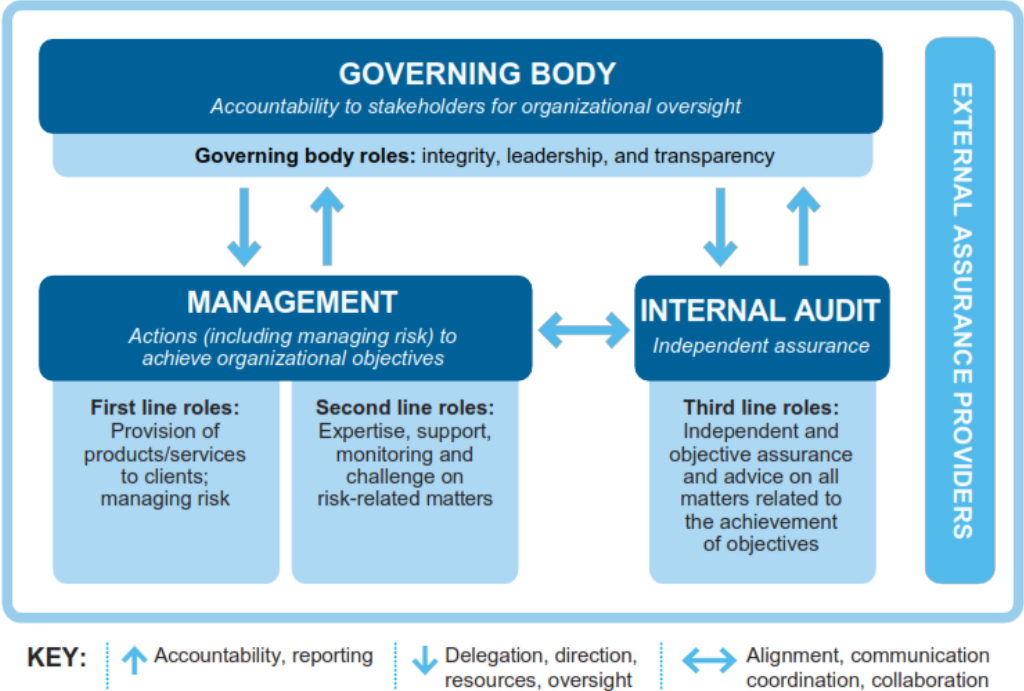


## 5. Council Risk

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 IIA’s Three Lines Model



LINE	FUNCTIONS/INDIVIDUALS	RESPONSIBILITY	ROLES
<b>FIRST</b>	Management – Operational functions and support functions such as HR and finance.	Action	<ul style="list-style-type: none"> <li>to achieve organisational objectives</li> <li>to deliver services</li> <li>to manage risk</li> <li>to directly support activities of the organisation</li> </ul>
<b>SECOND</b>	Management – e.g. legal, information security, quality assurance, health and safety, ERM/risk	Action	<ul style="list-style-type: none"> <li>to achieve organisational objectives</li> <li>to provide assistance with managing risk</li> <li>to provide complementary expertise, support, monitoring and challenge to those in the first-line roles</li> </ul>
<b>First and second line roles may be blended or separate</b>			
<b>THIRD</b>	Internal Audit	Assurance	<ul style="list-style-type: none"> <li>to provide independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management</li> </ul>
	Audit & Governance Committee	Accountability	<ul style="list-style-type: none"> <li>ensures appropriate structures and processes are in place for effective governance (delegates responsibility and provides resource)</li> <li>ensures organisational objectives and activities are aligned with the prioritised interests of stakeholders</li> <li>establishes and oversees an independent, objective and competent internal audit function to provide clarity and confidence on progress toward the achievement of objectives</li> </ul>

### 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.

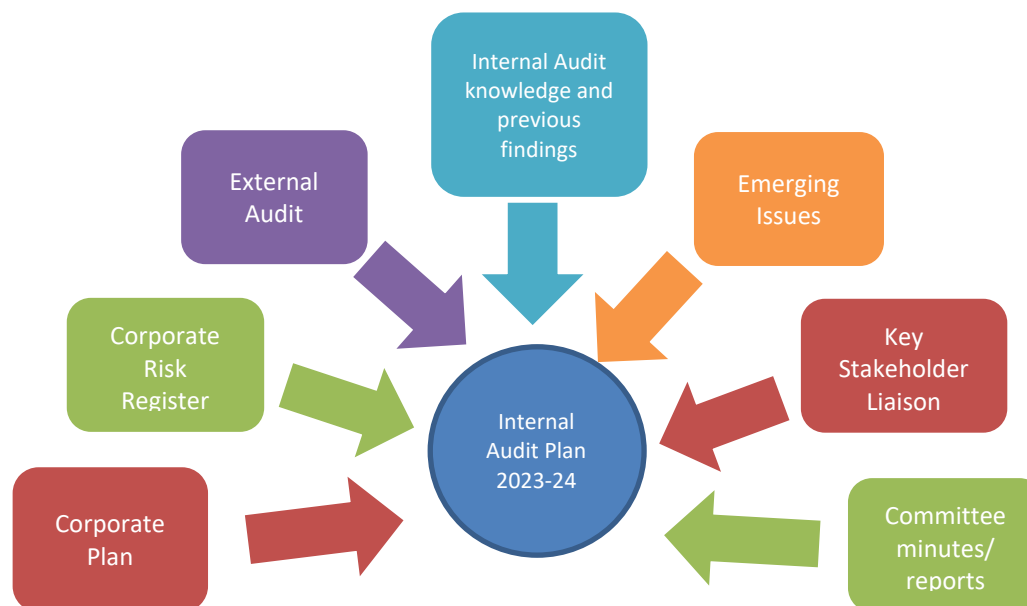
The use of the three lines of defence to understand the system of internal control and risk management should not be regarded as an automatic guarantee of success. All three lines need to work effectively with each other and with the audit committee in order to create the right conditions.

## 6. Developing the internal audit plan

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:





## 7. Internal Audit Plan

The Internal audit service has 475 days within the plan. Of those days, 167 are fixed days for audit planning and control, general administration, advice and guidance, follow-ups, One Exeter program support 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 the grant conditions). A small amount of the fixed time is set aside as a contingency to allow for unplanned work such as frauds. The remaining 308 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.

The plan is grouped into Service Areas of the Council and also linked to the Strategic Priorities of the Council.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
<b>Leading A Well Run Council</b>			
<b>Corporate Audits</b>			
Health and Safety	Health and Safety is a legislative requirement.  Risk – legislative risk, risk of significant financial penalties	High	General assurance on compliance taking into account current priorities and concerns raised by the Health and Safety Committee
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	General assurance
Risk Management	Systems and processes to manage the Council's risks that could prevent it from meeting its objectives	High	General support to help embed risk management across the Council.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
	Risk – financial risks. Failure to meet objectives and purpose		
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>	Medium	General assurance
Counter Fraud	<p>The arrangements in place to fight fraud against the Council.</p> <p>Risk – financial risk increased risk of fraud against the Council.</p>	Medium	General support for counter fraud
Partnerships	<p>The Council’s arrangements to work with other bodies to provide services or working solutions in a joint way.</p> <p>Risk – failure to meet objectives. Financial risk.</p>	Medium	General assurance work
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, to include Edwards Court Catering provision and the Community Lottery.
Community Grants Awarded	<p>The Council provides community grant awards to support community projects.</p> <p>Risk – Financial and reputational</p>	Medium	General assurance
External Funding / Grants Received	Funding received by the Council for specific purposes. This excluded the Covid Grants, this is reviewed separately.	Medium	To provide statutory audit for Housing grant funding.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
	Risk – financial risk, reputational risk		
Cyber Security	<p>Protection of the Council’s computer systems and networks including, against malicious attacks usually aimed at accessing, changing or destroying sensitive information or interrupting normal business processes.</p> <p>Risk – Financial, operational and reputational</p>	High	Cyber security assurance and assurance around some of the Council’s older fibre networks.
<b>Leading a Well Run Council</b>			
<b>Finance</b>			
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. This area is covered extensively by External Audit, therefore, reliance will be placed on this work to help provide assurance and to avoid duplication.
Income Management	<p>The management of income to the Council</p> <p>Risk – financial risk</p>	High	General assurance.
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.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
VAT	<p>Management of the Value Added Tax process</p> <p>Risk – non-compliance with regulations, risk of financial penalties</p>	Medium	General assurance and compliance with VAT regulations
Payments and collection	<p>The Payments &amp; Collection Team oversees the recovery of council tax, housing rent, housing benefit overpayments, former tenant and rechargeable repair debts</p> <p>Risk – financial risk</p>	Medium	General assurance
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 collected at the point of sale it is collected via a sundry debtors invoice.</p> <p>Risk - financial risk</p>	High	General assurance that the internal control system is working effectively.
NDR	<p>Collection of rates from business properties.</p> <p>Risk - financial risk, loss of income</p>	Medium	General assurance with emphasis on procedures that maximise income.
<b>Leading A Well Run Council</b>			
<b>Corporate Services</b>			
People Management (including Payroll)	<p>The management of the Council’s human resource, including Payroll.</p> <p>Risk – financial risk, risk of fraud</p>	High	General assurance

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
<b>Leading a Well Run Council</b>			
<b>City Management</b>			
Licensing	Issuing and enforcement of alcohol and entertainment licenses, taxi and private hire vehicle licenses, street trading licences, gambling licenses and animal licenses.  Risk - legislative	Low	To review new licensing processes.
Fleet Management	Management of the Council's fleet of vehicles.  Risk – financial, business continuity	Medium	General assurance work
Car Parks	Provision of car parks within Exeter.  Risk – financial risk, loss of income	Medium	Income collection and reconciliations
<b>Net Zero Carbon City</b>			
<b>Net Zero Exeter</b>			
Net Zero Carbon City	One of the Council's priorities is to deliver Net Zero Carbon City by 2030.  Risk – Reputational and financial	High	Follow-up and continuation of ongoing audit work
<b>Housing and Building Great Neighbourhoods</b>			
<b>Housing and Supporting People</b>			
Housing – customers, assets, needs	Provision of social housing, assessment of housing need, support for homelessness and the	High	General assurance

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
	provision of good quality accommodation across the city.  Risk - financial, legislative and reputational risk		
<b>Housing and Building Great Neighbourhoods</b>			
<b>City Development</b>			
Planning	The administration of planning applications, fee collection and enforcement.  Risk – financial, legislative and reputational	Medium	General assurance
<b>Thriving Culture and Heritage</b>			
<b>Culture and Leisure Facilities</b>			
Leisure Facilities	The Council provides a number of Council run leisure facilities, including sports centres and the Corn Exchange entertainment venue.  Risk - reputational and financial risk	High	General assurance. This is a new area. The Council's Leisure facilities have recently been taken back in-house and the audit work will focus on general assurance around the control environment.
Visit Exeter	A website to provide information to visitors to Exeter. Businesses can pay for membership to this service and includes advertising opportunities for the business.  Risk - financial	Low	Review of the membership administration and collection of fees.