



Annual Audit Plan 2021-22

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Audit Manager

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Introduction

The role of internal audit is that of an:

'Independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

(Public Sector Internal Audit Standards 2016 (PSIAS))

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

Internal Audit's main objectives are to:

- provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources
- provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures
- provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes
- provide advice and support to management to enable an effective control environment to be maintained
- promote a counter fraud culture within the Council to aid the prevention and detection of fraud
- investigate allegations of fraud, bribery and corruption

The internal audit plan provides the mechanism through which we can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant stakeholders, to ensure it continues to reflect the needs of the Council. We will continue to report progress against the plan to Audit and Governance Committee quarterly.

We make every effort to work with other assurance providers to minimise duplication.

Your Internal Audit Team

The Internal Audit Function is provided 'in house' and consists of the Audit Manager and 2 auditors each working 4 days per week, Monday to Thursday.



Helen Kelvey, Audit Manager



Helen Putt, Audit Manager



Davina Blanchard, Auditor



Sandra Please, Auditor

Conformance with internal auditing Standards

We operate in accordance with the Public Sector Internal Audit standards 2016 (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. 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

Council Vision

Our Strategy

Autumn 2020 Update

- Promoting active & healthy lifestyles
- Delivering Net Zero Exeter 2030
- Providing value for money services
- Leading a well-run council
- Building great neighbourhoods

Liveable Exeter

Live & Move

NET / ZERO EXETER

Exeter City Council

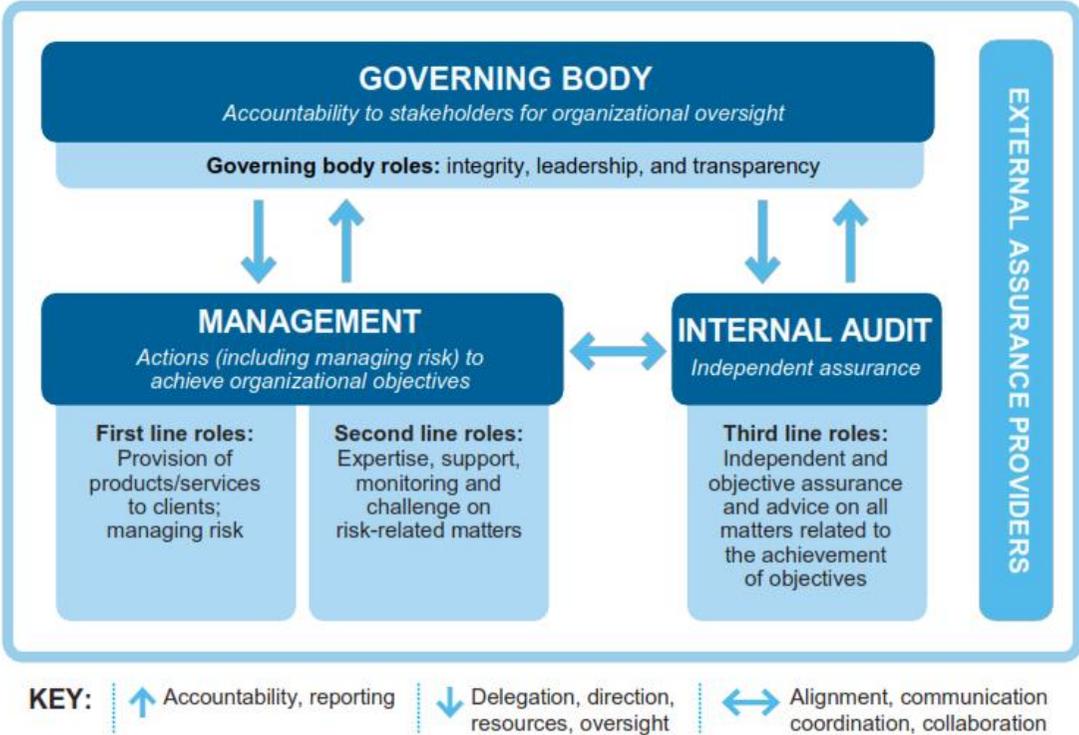
EXETER LIVE BETTER

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

The role of the three lines of defence

Internal audit is uniquely positioned within the organisation to provide global assurance to the audit committee and senior management on the effectiveness of internal governance and risk processes. It is also well-placed to fulfil an advisory role on the coordination of assurance, effective ways of improving existing processes, and assisting management in implementing recommended improvements. In such a framework, internal audit is a cornerstone of an organisation's corporate governance.

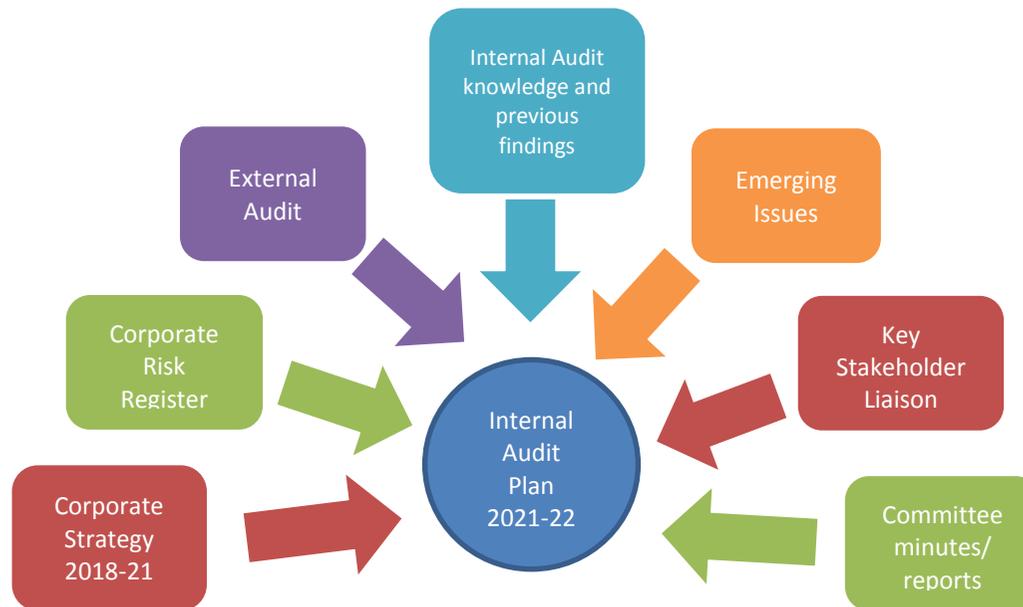
The use of the three lines of defence to understand the system of internal control and risk management should not be regarded as an automatic guarantee of success. All three lines need to work effectively with each other and with the audit committee in order to create the right conditions.

Developing the internal audit plan 2021/22

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation. The Council obtains assurance from a number of other sources as detailed in the Annual Governance Statement.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.

We have used various sources of information and discussed priorities for internal audit with the following groups:



Internal Audit Plan 2021/22

The Internal audit service has 472 days within the plan. Of those days, 144 are fixed days for audit planning and control, process mapping, general administration, follow-ups and other activities conducted by Internal Audit, such as National Fraud Initiative co-ordination, administration of RIPA, review of hospitality and disclosures and Disabled Facilities Grant audit (terms of grant conditions). A small amount of time is set aside as a contingency to allow for unplanned work such as frauds. The remaining 328 days will be used for the planned work as detailed below.

The audit risk ratings are calculated using a score against nine different criteria; Audit assurance/perception, reputation/sensitivity, complexity of system, finance, operational impact, inherent fraud risk, staff morale/turnover/change, volume of transactions and other assurance sources. This helps us to determine the frequency of audit and level of coverage required.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
Corporate Audits			
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
Health and Safety	Health and Safety is a legislative requirement. Risk – legislative risk, risk of significant financial penalties	High	Brought forward from 20/21 General assurance on compliance taking into account current priorities and concerns raised by the Health and Safety Committee
Equalities and Diversity	Under the Equality Act 2010, public sector organisations have an equality duty. The Equality Duty ensures that public bodies consider the needs of all individuals in their day to day work – in shaping policy, in delivering services, and in relation to their own employees.	Medium	Brought forward from 20/21 General assurance work against the Equalities Framework.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
	Risk – legislative risk. Damage to reputation of Council.		
Risk Management	<p>Systems and processes to manage the Council’s risks that could prevent it from meeting its objectives</p> <p>Risk – financial risks. Failure to meet objectives and purpose</p>	High	General assurance work and continue to assist in establishing operational risk registers throughout the organisation to help embed risk management across the Council.
Information Governance	<p>The way in which the Council manages its information, including GDPR.</p> <p>Risk – legislative risk, information is not held securely or is misused.</p>	High	<p>Brought forward from 20/21</p> <p>Work with executive support to complete Information Commissioners Office self-assessment to provide a level of assurance in the following areas:</p> <ul style="list-style-type: none"> - Data Protection - Information security - Records management - Data sharing and subject access - CCTV
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>	High	A review and update of the Fighting Fraud Locally checklist and to continue to work to find solutions to improve the Council’s resilience against 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

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
Contract Management	<p>The way in which the Council manages its contracts.</p> <p>Risk – Contractors fail to deliver their obligations leading to poor value for money.</p>	High	We will be reviewing the contract management processes for a sample of existing contracts. This will include the Council’s Kitchen Replacement Program.
Commercialisation and Project Management	<p>The Council is embarking on a number of new commercial projects aimed at improving service delivery in a cost neutral way and in the long term looking at projects that could return a profit for the Council.</p> <p>Risk - Financial risks. Failure to meet objectives and purpose. Reputational risks.</p>	High	We will review a sample of projects to ensure compliance with the Council’s Commercialisation Strategy and provide advice and guidance as needed.
Climate Change/Carbon Neutral/Net Zero	<p>One of the Council’s priorities is to deliver Net Zero Exeter by 2030.</p> <p>Risk – Reputational and financial</p>	Medium	General assurance
Covid19 Pandemic related work/Business Grant Assurance work	<p>The Government has put in place a number of grants to support businesses through the Covid19 pandemic. Post payment assurance work is required to support payment of the grants.</p> <p>Other assurance may also be required for other support schemes e.g. fees and charges.</p>	High	Assurance as required by the Government
Director Finance			
Main Accounting	<p>The accounting function of the Council</p> <p>Risk - Financial risk, non-compliance with regulations</p>	High	Cyclical coverage of the core financial systems to meet regulatory requirements. We will work with external audit to co-ordinate work as far as possible and avoid duplication.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
Income Management	The management of income to the Council Risk – financial risk	High	As above. We anticipate that a new Income management system will be introduced in 2021/22 and therefore assurance around the new system will be required.
Creditors	Payment of the Councils suppliers of goods and services Risk – financial risk, risk of fraudulent transactions	High	Cyclical coverage of the core financial systems to meet regulatory requirements. Reviews of the use and management of the Corporate Credit cards.
VAT	Management of the Value Added Tax process Risk – non-compliance with regulations, risk of financial penalties	Medium	This had been due at the end of 19/20, however, due to staff changes this audit needed to be postponed. Review to provide assurance on the compliance with VAT regulations.
Insurance	Management of the Council’s Insurance Risk – fraudulent insurance claims, inappropriate or insufficient insurance cover, financial risk	Low	Brought forward from 20/21. This had been due at the end of 19/20, however, due to staff changes this audit needed to be postponed. Due to the low internal audit risk rating and continued staffing issues this was postponed to 21/22 following the plan changes required as a result of the Covid19 pandemic. General assurance work
Director Corporate Services			
People Management (including Payroll)	The management of the Council’s human resource, including Payroll. Risk – financial risk, risk of fraud	High	General assurance work, including assurance around Furlough payments.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
Members Expenses	<p>Members receive expenses related to conducting their official duties and reimbursement of out of pocket expenses.</p> <p>Risk - financial and reputational risk.</p>	Low	<p>Brought forward from 20/21</p> <p>Internal Audit have recently received a number of complaints from members of the public about member's expenses, which has prompted this review. Whilst we do not anticipate finding any issues we need to be able to satisfy ourselves that everything is in order.</p>
Director Transformation			
Sport England Project	<p>This project aims that Exeter and Cranbrook will be a pioneering place for leading an active lifestyle. Exeter will become the most active city in England and Cranbrook will be a model of best practice in encouraging families to be active together.</p> <p>The pilot will encourage 10,000 of Exeter & Cranbrook's least active residents to lead regular active lifestyles by:</p> <ul style="list-style-type: none"> • Narrowing stubborn health inequality by encouraging those least likely to take part in activity to lead active lifestyles. • Improved inclusivity and sense of community connectivity and belonging. • A reduction in congestion and improved air quality influenced by more people walking and cycling. 	Medium	<p>Brought Forward from 20/21</p> <p>To provide assurance that the project is meeting its objectives and that measures are being taken to reduce or control financial and reputational risks.</p>

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
	<ul style="list-style-type: none"> An embedded analytical approach, using integrated data to inform decisions and share learning. <p>Risk - financial and reputational risk</p>		
Director Net Zero Exeter and City Management			
Fleet Management	<p>Management of the Council's fleet of vehicles.</p> <p>Risk – financial, business continuity</p>	Medium	General assurance work
Car Parks	<p>Provision of car parks within Exeter.</p> <p>Risk – financial risk, loss of income</p>	Medium	General assurance work
Private Sector Landlord Services	<p>Services relating to private sector landlords. This includes finding tenants to support with grant applications for energy saving measures and necessary home improvements to assist people to be able to stay in their homes e.g. Disabled Facilities Grants.</p> <p>Risk - financial, fraudulent grant claims</p>	Medium	<p>Brought forward from 20/21</p> <p>To undertake a review of the administration of Houses in Multiple Occupation Licenses.</p>
Director Culture and Leisure Facilities			
Events, Arts and Culture	<p>The Council provides a number of arts and culture events across the City throughout the year.</p> <p>Risk - reputational and financial risk</p>	Medium	<p>Brought forward from 20/21</p> <p>A review of the service for general assurance following the Exeter Festival re-launch.</p>

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
Leisure Facilities	<p>The Council provides a number of Council run leisure facilities, including sports centres and the Corn Exchange entertainment venue.</p> <p>Risk - reputational and financial risk</p>	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.
Director City Development, Housing and Supporting People			
NDR	<p>Collection of rates from business properties.</p> <p>Risk - financial risk, loss of income</p>	High	General assurance
Housing	<p>Provision of social housing, assessment of housing need, support for homelessness and the provision of good quality accommodation across the city.</p> <p>Risk - financial, legislative and reputational risk</p>	High	General assurance
City Development	<p>This covers the administration of planning, building control, new homes bonus, community infrastructure levy and section 106.</p> <p>Risk – financial, legislative and reputational</p>	Medium	General assurance