



Internal Audit Service

# **Annual Audit Plan 2022-23**

Helen Putt/Helen Kelvey  
Audit Manager

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## 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 Vision

**Our Strategy**

Autumn 2020 Update

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

Liveable Exeter

Live & Move

NET ZERO EXETER

Exeter City Council

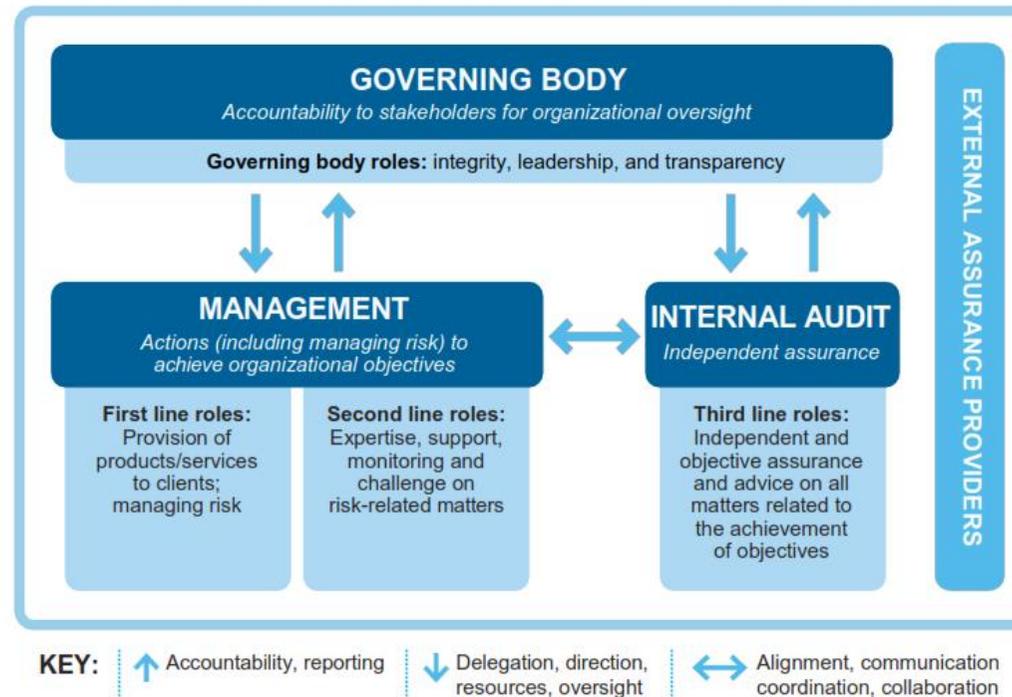
EXETER LIVE BETTER

## 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.

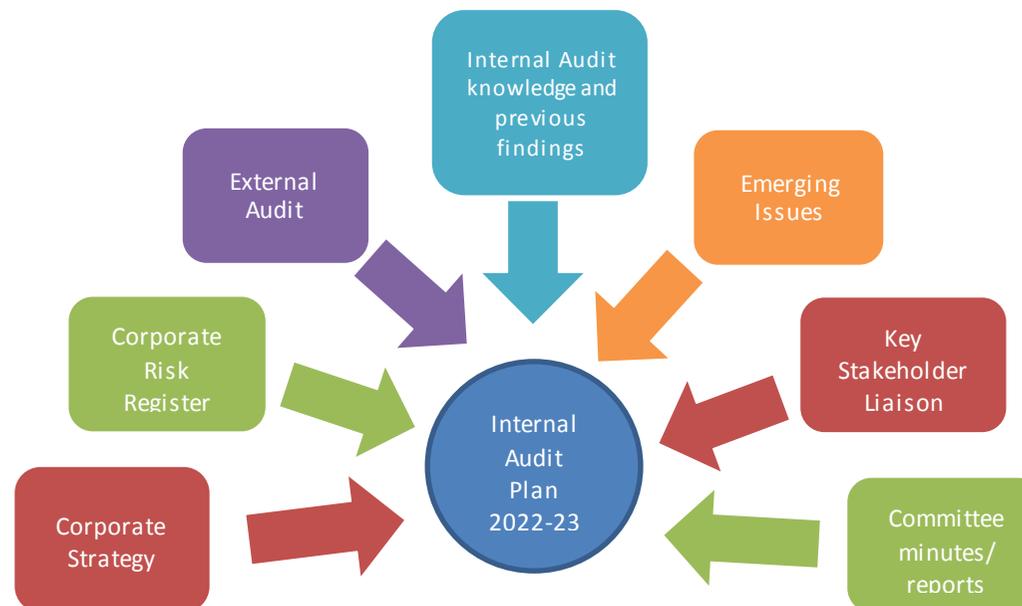
The use of the three lines of defence to understand the system of internal control and risk management should not be regarded as an automatic guarantee of success. All three lines need to work effectively with each other and with the audit committee in order to create the right conditions.

## 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 478 days within the plan. Of those days, 150 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
<b>Corporate Audits</b>			
Health and Safety	<p>Health and Safety is a legislative requirement.</p> <p>Risk – legislative risk, risk of significant financial penalties</p>	High	General assurance on compliance taking into account current priorities and concerns raised by the Health and Safety Committee
Equalities and Diversity	<p>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.</p> <p>Risk – legislative risk. Damage to reputation of Council</p>	Low	<p>General assurance work against the Equalities Framework.</p> <p>This is low risk but has been included in the plan again at the request of Members of this committee at the December 2021 meeting.</p>

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
Risk Management	<p>Systems and processes to manage the Council's risks that could prevent it from meeting its objectives</p> <p>Risk – financial risks. Failure to meet objectives and purpose</p>	High	General assurance work and continue to assist in establishing operational risk registers throughout the organisation to help embed risk management across the Council.
Business Continuity Management	<p>Systems and processes to ensure continuity of business in the event of disruption.</p> <p>Risk – potential legislative risk if failure of statutory services. Financial risk. Damage to reputation of Council.</p>	High	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	Review of the contract management processes for a sample of existing contracts
External Funding / Grants Received	<p>Funding received by the Council for specific purposes. This excluded the Covid Grants, this is reviewed separately.</p> <p>Risk – financial risk, reputational risk</p>	Medium	General assurance work
Safeguarding	<p>The Council has a legal duty to have proper procedures in place to protect vulnerable adults and children.</p>	Medium	General assurance work.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
	Risk – legislative risk, Council fails to protect vulnerable		
Performance Management	<p>Performance management is described as <i>an ongoing process of communication between a supervisor and an employee that occurs throughout the year, in support of accomplishing the strategic objectives of the organization.</i></p> <p>Risk – the Council fails to meet its corporate objectives</p>	Medium	Review of performance measures and effectiveness within services to support the One Exeter program.
Exeter City Living	<p>Exeter City Living is a Council owned business. Exeter City Living describes itself as <i>“a profit-for-purpose limited company, an innovative and sustainable housing developer who seek to play a key role in creating communities and delivering environmental property developments long into the future.”</i></p> <p>Risk – financial and reputational</p>	High	To provide assurance around the governance of the business.
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

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
<b>Chief Finance Officer</b>			
Main Accounting	The accounting function of the Council  Risk - Financial risk, non-compliance with regulations	High	Cyclical coverage of the core financial systems to meet regulatory requirements. We will work with external audit to co-ordinate work as far as possible and avoid duplication.
Income Management	The management of income to the Council  Risk – financial risk	High	As above. Assurance work will focus in particular on the implementation and operation of the new income management system.
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.
<b>City Solicitor and Director Corporate Services</b>			
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.
Elections and Electoral Registration	Exeter City Council provides electoral services for district, County and Police Crime Commissioner elections.  Risk – legislative, reputational and financial	Low	General assurance over the efficiency and effectiveness of electoral registration, canvass, election and count processes.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
<b>Director Net Zero Exeter and City Management</b>			
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	General assurance work to include completion of the review of the administration of Houses in Multiple Occupation Licenses.
Better Care Fund Grants	<p>The Better Care Fund (BCF) provides financial support for councils and NHS organisations to jointly plan and deliver local services.</p> <p>Risk - financial and reputational risk</p>	Medium	To provide compliance assurance that any schemes being operated with Exeter City Council are in accordance with regulations.
Waste and Recycling	<p>Household waste disposal and recycling is a statutory function of the Council. The Council is also operating commercial waste collections, these collections incur a fee.</p> <p>Risk – reputational and financial risk</p>	Medium	Assurance work on the processes relating to the implementation of the new food waste collections. The commercial aspect of waste collections will be covered under Business and Commercialisation.
Building Greater Exeter	<p>Building Greater Exeter is a partnership between Exeter City Council, neighbouring Councils and a number of local construction businesses with the purpose of ensuring there is sufficient skilled workforce in the construction industry to support Building Greater Exeter.</p>	Low	At the request of the service lead general assurance over the effectiveness and governance of the partnership.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
	Risk – strategic risk		
Net Zero Exeter	<p>One of the Council’s priorities is to deliver Net Zero Exeter by 2030.</p> <p>Risk – Reputational and financial</p>	High	General assurance
Business and Commercialisation	<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	<p>We will review a sample of projects to ensure compliance with the Council’s Commercialisation Strategy and provide advice and guidance as needed. Following up on the implementation of any audit actions already agreed.</p>
<b>Director Culture and Leisure Facilities</b>			
Sport England – Well Being Exeter	<p>Wellbeing Exeter is a partnership of public, voluntary and community sector organisations formed to explore better ways of supporting the 40% of patients who visit their GP with socially based rather than medical problems.</p> <p>Risk – financial and reputational risk</p>	Medium	<p>We will review the effectiveness and efficiency of the processes and procedures administered by Exeter City Council to support this partnership and to ensure they comply with relevant policies.</p>
Communications – social media	<p>The Council uses Social Media as a tool to provide information to the public. A number of officers across the Council are able to publish information via Social Media.</p>	Medium	<p>To provide assurance that the Council’s Social Media Policy is effective and being followed.</p>

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
	Risk - reputational risk.		
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.
<b>Director City Development, Housing and Supporting People</b>			
Housing Benefit Subsidy	<p>Processing and payment of Housing Benefit.</p> <p>Risk – financial risk, subsidy penalties</p>	Medium	General assurance. This is an area covered in depth by our External auditors, therefore the level of coverage by Internal Audit will be reduced.
Council Tax	<p>Council tax is the main source of locally-raised income for local authorities. Council tax is made up of several elements. Exeter City Council, as a 'collecting authority' is responsible for collecting the council tax for Devon County Council, Devon &amp; Somerset Fire and Rescue service and Devon &amp; Cornwall Police Authority</p> <p>Risk - financial risk</p>	Medium	General assurance that controls are working effectively.
Sundry Debtors	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	Medium	General assurance that the internal control system is working effectively.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
	collected at the point of sale it is collected via a sundry debtors invoice.  Risk - financial risk		