



Annual Report 2021-22

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 2021.

2. Overall Opinion and Assurance Statement

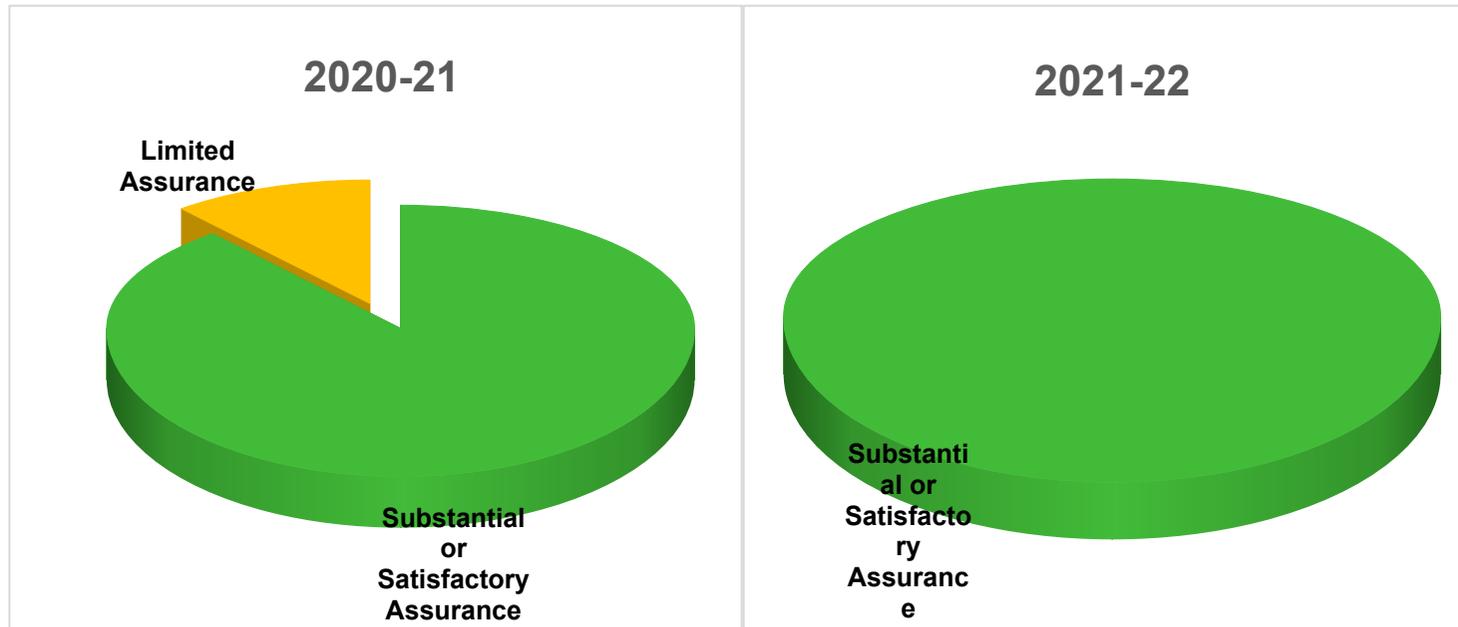
Basis of Opinion

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 2020/21 which shows that no limited assurance/no assurance audit opinions were issued during 2021/22.



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 2022-23 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.

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 2022.

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 – The Government's continued delays in implementing the Fair funding review and business Rates reset have led to further uncertainty over the Medium term Financial Plan. However, the financial position remains precarious with significant reductions required to balance the budget over the medium term. Not all reductions are underpinned by Government decisions and therefore even if the plans were to be dropped, the Council would still require reductions of around £5m. There are significant headwinds affecting the Global economy and this is producing cost pressures which affect the Council.
- 3.3 Net Zero 2030 – the Council has set a net zero target date of 2030 for council operations as opposed to the Devon County Council and central government target of 2050. In setting this central government target, the Committee on Climate Change (CCC) recognised that whilst this target is technically feasible it is highly challenging without sustained policy interventions across several sectors, many of which will be complex, costly and time-consuming. In choosing to set a target 20 years ahead of national and other locally set targets is high risk. However, this has already been recognised and will be monitored by the Audit & Governance Committee as part of the corporate risk register process.
- 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:
- external factors e.g. regulatory change and compliance, climate change
 - internal factors e.g. The One Exeter project to deliver the digitalisation/transformation of service delivery
- 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. At the request of members a separate Net zero Risk Register will be introduced during 2022-23.

Counter Fraud

3.9 During 2020-21 we 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 then submitted to government. As the various business support grant schemes continued into 2021-22 we continued 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 2021-22 RIPA powers were not used by this Council.

4. Delivery of 2021-22 Audit Plan

4.1 The Internal Audit plan for 2021-22 was approved by the Audit and Governance Committee in March 2021 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 2022 to 31st March 2022). The Covid19 pandemic has again had an impact on the audit plan for this year albeit to a lesser degree. Updates and changes to the plan have been reported quarterly and been approved by this committee.

PROGRESS OF 2021/22 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
Main Accounting	6	1.1				To be deferred to 2022-23 due to the delay in implementing the upgrade to the accounting system.
Income Management	10	11.6	Final	↔	Substantial	A new income management system, CivicaPay, was introduced in November 2021 replacing the PARIS system. All payment methods are still accepted through CivicaPay though the automated methods i.e. on-line, internet and telephone payments are preferred to cheque and cash payments as they avoid manual intervention and enable customers to make a payment at any time of the day The scope of this audit included the following;

						<ul style="list-style-type: none"> • follow-up the findings from the previous audit report • review the testing schedule for the implementation of the new income management system CivicaPay • review and update the existing Income Management system description • select a sample of transactions from April 2021 to March 2022 and trace to the respective source system/financial code/bank account <p>Two medium issues were identified and remedial action for both agreed with management.</p>
Creditors – Corporate Credit Cards	15	11.2	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 March 2022, corporate credit cards had been issued to 64 members of staff.</p> <p>The scope of this audit included a review of the following areas: Checking that:</p> <ul style="list-style-type: none"> • separation of duties exist between the person placing the order and the person authorising the order • the order is authorised prior to it being placed • where applicable a valid VAT receipt/invoice is held <p>Three medium issues were identified and remedial action agreed with management.</p>
VAT	9	5.3	Final	↔	Satisfactory	<p>The Council is registered for Value Added Tax (VAT) and as such has to account to HMRC for the VAT;</p> <ul style="list-style-type: none"> • charged on the goods/services supplied by the council (known as output tax) • paid on the goods/services purchased by the council (known as input tax) <p>New Government regulations, the Domestic Reverse Charge (DRC) were introduced on 1st March 2021 – it was due to be introduced in October 2019 but Brexit and Coronavirus meant it was delayed. The DRC applies to the supplies of building and construction services that fall within the scope of the Construction Industry Scheme and impacts both on the sub-contractor (supplier) and the contractor (i.e. the Council). Where the DRC applies, the Council rather than the supplier will be required to account for the VAT due on the supplies it receives.</p> <p>The scope of this audit included;</p> <ul style="list-style-type: none"> • following up on the progress made to implement the agreed actions from the previous VAT audit report • reviewing the January 2022 VAT return, checking that; <ul style="list-style-type: none"> - documents are available to support the figures quoted in the VAT Return - the VAT Return has been approved by a senior member of the Finance team prior to its submission to HMRC • sample testing 10 sundry debtor invoices to check the correct VAT code has been used • sample testing 10 corporate credit card holder transactions to check that; <ul style="list-style-type: none"> - supporting VAT invoices are held - the correct VAT code has been entered on the respective upload journal • checking that Trade Waste invoices are raised using the correct VAT code • reviewing the training documents provided to staff prior to the implementation of the DRC

						Remedial action was agreed with management for all issues identified.
Insurance	6	9.7	Final	N/A	Substantial	<p>The Council's current insurance provider is Zurich Municipal (total contract value £876,800) and was due to be re-tendered with effect from April 2021. However, a procurement exemption until the end of 31 March 2022 was authorised. This was due to uncertainty in the insurance market due to the effects of Covid-19 and a potential opportunity to work collaboratively with neighbouring Councils in procuring an insurance provider from April 2022.</p> <p>It was subsequently not feasible to work with the other councils as it was not possible to synchronise ECC's re-tender plans as the other Councils had extended their contracts for a further year, which ECC were unable to do. The Council have therefore started their own tendering process with the intention of having a contract in place with the selected Insurance Company from 1 April 2022.</p> <p>The scope of the audit included a review of the following:</p> <ul style="list-style-type: none"> • Controls in place to ensure that assets, risks and liabilities are adequately insured • Processes to ensure that third parties provide adequate insurance where required • Recharge of premiums where the Council pays the premium on behalf of a third party • Management and monitoring of claims • Action take to identify and rectify problems for re-occurring patterns of claims • Contract tendering
People Management - Payroll services - Management	15	20.5	Final	N/A	Substantial Satisfactory	<p>Remedial action was agreed with management for all issues arising.</p> <p>As at 2nd February 2022 there were 817 permanent and 205 casual staff employed by ECC along with 39 elected Councillors. Payroll Services are tasked with paying members of staff and Councillors, along with other payroll related activities for example complying with HMRC regulations regarding the collection and subsequent payment of Pay as You Earn Tax and National Insurance Contributions, collecting pension contributions and paying them across to Peninsular Pensions.</p> <p>Payroll Services not only run the payroll for ECC staff, but also undertake the payroll function for ECC Election Staff, the Citizen Advice Bureau (Exeter), Citizen Advice Bureau (Torbay), Exeter City Living and Exeter Business Centre</p> <p>The scope of the audit included;</p> <ul style="list-style-type: none"> • Undertake a general payroll audit to check starters, leavers and variable payments to staff • Reviewing the system and processing controls in place to ensure only qualifying payments are made • Checking the other controls in place for example reconciliation of payroll financial codes, BACS limits <p>When considering the 13 medium rated risks in this audit report, it is noted that only 30% of them can be attributed to Payroll with the remaining 70% the responsibility of other areas, i.e. Officers/Authorisers, Business Partners, HR Admin and Finance.</p>

						<p>It is therefore considered not appropriate to give an overall audit opinion, instead it will be split into two, those under the control of Payroll and those outside of the control of Payroll</p> <p>Remedial action was agreed for all issues identified.</p>
Members Expenses	6	2.9	Final	N/A	Substantial	No matters arising
Health & Safety – Hand Arm Vibration Syndrome	12	7.9	Draft			Draft Report with the Health & Safety Group for consideration. To be reported next quarter.
Private Sector Landlord Services – HMO Licensing	8	14.1	Final	N/A	Satisfactory	<p>Mandatory licensing of HMO's is required by law, and is operated by all local councils in England and Wales. Mandatory licensing applies to HMOs:</p> <ul style="list-style-type: none"> • with five or more occupiers who form two or more households, and • who share an amenity such as a kitchen, bathroom or toilet <p>Note: the 2018 regulations removed the requirement for the building to be three or more storeys high to meet the definition of an HMO. This resulted in an increase in the number of mandatory HMO licences being issued, from approximately 900 (2017) to 1,390 (7 February 2022).</p> <p>The scope of the audit included a review of the following:</p> <ul style="list-style-type: none"> • Policies, procedures and legislation • New applications • Inspections and prescribed standards for HMOs • Penalties in relation to HMOs and licensing <p>At the request of the Service Lead – Environmental Health & Community Safety, the testing concentrated on the inspection processes.</p> <p>Remedial action was agreed for all issues identified.</p>
Sport England – Active Families and School Communities Project	8	4.3	No report due			<p>As part of delivery of the Sport England pilot, the Active Families and School Communities project has been developed with the aim of putting in place a sustainable process where communities in those areas with the highest health inequalities and the least active families are involved in finding ways of being more active and have ways to influence:</p> <ul style="list-style-type: none"> • how services in schools and community organisations are provided • the environment that they live and work in <p>The scope of the audit was to work with the SE team undertake a business process review with a view to ensuring compliance with policies and procedures whilst re-designing the process where necessary to eliminate inefficiencies.</p> <p>Two business process maps have been completed 'as is' and 'to be' and have been issued to the service with a view to implementing the 'to be' process.</p>
Events, Arts & Culture	8	0	No report due			As a result of the pandemic there were no significant events and so no audit assurance was required.

Fleet Management	9	11.6	Final	N/A	Substantial	<p>Exeter City Council currently has a fleet of 469 (vehicles, implements, plants and trailers) of which approximately 150 are road-going vehicles. These are managed by the Fleet Team who are responsible for the contract hire, maintenance and disposal of vehicles and other administrative tasks associated with the fleet management.</p> <p>In the past the Fleet Strategy was to purchase fleet assets as and when required with maintenance being paid for separately. In 2019 as a large number of vehicles purchased in 2008-12 were overdue for replacement, a new strategy of using Contract Hire was endorsed by Members to avoid the Council having to borrow a significant amount to purchase the vehicles.</p> <p>A new contract has now been established for the</p> <ul style="list-style-type: none"> • Supply and maintenance of new vehicles – under a full maintenance lease with the option to purchase after 7 years • Maintenance only at fixed costs – for ECC owned vehicles less than 7 years old • “Pay as you go” maintenance <p>The scope of the audit included a review of the following areas:</p> <ul style="list-style-type: none"> • Policy and strategy • Induction practices and driver education • Fleet procurement and disposal • Maintenance and inspections • Invoice payments • Insurance • Contract management • Monitoring and performance <p>The fleet contract appears to be working well. Remedial action has been agreed for all findings.</p>
Car Parks	9	9.2	Final	N/A	Substantial	<p>The Council allows individuals or businesses to purchase permits to park in the councils' car parks or to lease parking bays. There are different terms and conditions, depending upon the type of permit required;</p> <p>Season Tickets - are purchased on-line for periods of 1 to 12 months. The permit is issued in the name of the individual/business and can only be used in a nominated car park. Parking is on a space available basis and a parking space is not guaranteed.</p> <p>Residential permits -There are a small number of properties which are entitled to apply for a reduced rate parking permit that allows the holder to park in a nominated car park.</p> <p>Ad-hoc permits - are normally requested by event organisers or contractors. The location and duration are tailored to the requesters requirements, unless a concession has been agreed, the cost will be as per the standard daily rate for the car park in question.</p> <p>Parking bays – there are a number of parking bays throughout the City which are leased out to businesses on behalf of the Car Parks Service Area by the Corporate Property Asset Team.</p> <p>The overall objective of this audit was to review the adequacy and effectiveness of the system of internal controls designed to manage and mitigate financial and non-financial</p>

						risks relating to the issuing of parking permits and the collection of income for the leased parking bays.
Leisure Facilities – Riverside Leisure Centre	25	18.8	Final	N/A	Satisfactory	<p>The Riverside Leisure Centre is located on Exe Bridges and offers a fully equipped gym, 25m swimming pool, learner pool and health suite, 6 court sport hall, two squash courts and indoor cycling.</p> <p>Previously the operation of all the Council's leisure facilities was outsourced to Legacy Leisure, but was brought back in house from 1 September 2020. Since then Riverside has adopted ECC's policies and financial regulations etc. (Note: due to a fire in February 2017, the Riverside closed for extensive repairs and re-opened to the public at the end of July 2021).</p> <p>The scope of the audit including a review of the following areas:</p> <ul style="list-style-type: none"> • policies and procedures • staff recruitment, induction and training • health and safety (risk assessments, water quality testing, other checks) • general security (fire detection evacuation, emergency action plan) • banking (income recording & reconciliation, security & floats) • bookings and admissions (refunds, memberships, deposits) • ordering of goods and services • inventories <p>Information gained from this review of internal controls will be as a basis for identifying future areas of testing on the Council's remaining leisure centres.</p> <p>One 'high' risk was identified relating to the Pool Quality Testing. Remedial action was agreed with management with a target date of end of May.</p>
Non-Domestic Rating	12	11.9	Final	↔	Substantial	<p>Business Rates are a tax on business properties such as shops, offices, factories, pubs, masts and advertising hoardings and is the businesses contribution towards the cost of local services. The tax is set by the government and is based on the 'rateable value' of the property.</p> <p>As per the Valuation Officer rating list (2017) on the 16th December 2021 Exeter City Council had 5,094 NNDR properties with a total rateable value of £190,767,399.</p> <p>The Covid-19 pandemic has had quite an impact upon the role of the Business Rates Team. From March 2020 several of their normal day-to-day tasks such as recovery action, monitoring of discounts and exemptions etc. had been put on hold so that they could concentrate on awarding the many covid-19 business grants that were made available to the business community.</p> <p>It is starting to slowly get back to normal, recovery action recommenced in October 2020 with regular reminders now being issued and court action was re-introduced in April 2021.</p> <p>In view of the above, the scope of the audit was restricted to:</p> <ul style="list-style-type: none"> • Valuation Office (VO) Notifications • Small Business Rate Relief (SBRR) • Retail Relief

						<ul style="list-style-type: none"> • Self-catering and holiday let properties <p>Remedial action was agreed for all issues identified.</p>
Housing – Repairs and Void Works	30	31.6	Final	↑	Satisfactory	<p>The Housing Asset Management team provides a responsive repairs service to the tenants of the Council's approximately 5,500 rented properties. In addition, when a property is vacated by a tenant and classified as void, the team is responsible for ensuring that:</p> <ul style="list-style-type: none"> • a property inspection is carried out to identify any works that need to be undertaken in order to bring it up to the Council's Lettable Standard of repair and cleanliness • the work is carried out satisfactorily by the third party contractor, Mears. <p>A new contract for Integrated Asset Management Services was recently signed with Mears (1 December 2020). Under this contract Mears supplies planned, responsive and void works. With regards to repairs and voids a Price per Property (PPP) and a price per void (PPV) model has been adopted.</p> <p>The objective of the audit was to review the operation of the new Integrated Asset Management Services contract with Mears and included a review of:</p> <ul style="list-style-type: none"> • Policies & procedures • Property records • Works • Post Inspections • Recharges • Performance monitoring of contractors <p>Remedial action was agreed with management for all issues identified.</p>
Planning – Community Infrastructure Levy (CIL) and Section 106 Agreements	8	11.4	Draft			To be reported next quarter.
Corporate Governance	10	10.3	Final	↔	Substantial	<p>The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and also by comments made by the external auditors and other review agencies and inspectorates.</p> <p>The scope of the audit included a review of the following seven core principles of good governance from Delivering Good Governance in Local Government Framework (CIPFA/Solace 2016)</p> <p>Improvements have been made since the last audit and remedial action has been agreed for all audit findings.</p> <p>A full copy of this report was emailed to all members of the committee on 11th January 2022.</p>
Equalities & Diversity	8	9.3	Final	↔	Satisfactory	<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>The scope of the audit included:</p> <p>To review the implementation of the EQIA procedures:</p> <ul style="list-style-type: none"> • are report writers aware of and do they understand the procedures? • do they have the necessary skills and training to either produce EQIAs of a good standard or to be able to interrogate and challenge the information provided? <p>To identify projects and policies from committee minutes and published decisions, and to check that where applicable:</p> <ul style="list-style-type: none"> • an equalities impact assessment (EQIA) has been undertaken • appropriate action has been taken to address issues raised in the EQIA <p>Since the last audit there appears to be a greater awareness of equality and diversity issues amongst staff with adequate EQIAs being completed for two thirds of the cases checked. It is pleasing to note that an Equalities Champion group was formed in April 2021 which should help promote the equality and diversity agenda across the Council and enable any issues to be identified and appropriate action to be taken to resolve them. Also, the planned roll out of further training to staff (including general awareness to all staff) should help to ensure that equality and diversity is considered when decisions are made and adequate EQIAs produced.</p> <p>Remedial action has been agreed for all audit findings.</p>
Risk Management	10	12.3	No report due			Work has been ongoing to assist services with review of their operational risk registers.
Information Governance	8	2.1	No report due			It was intended to undertake a review of information governance in conjunction with our insurer. However, as a result of the pandemic this work was not undertaken. A review will now be undertaken in 2022-23.
Counter Fraud	15	11.1	No report due			A self-assessment against the Fighting Fraud and Corruption Locally 2020 Strategy was undertaken and no significant issues were identified.
Partnerships	8	0.8	No report due			A draft report was issued immediately prior to the pandemic, when this was picked up again following the return to business as usual, the officer responsible for partnerships had been seconded to project manage the One Exeter Programme which has been given priority. This audit will following up during 2022-23.
Contract Management	15	11.7	N/A			Audit of contract management has been incorporated into the wider audits of Housing, which incorporated the Mears Contract and also the Fleet audit.
Community Grants – Covid19 Community Action Fund	10	15.7	Final	N/A	Satisfactory	<p>The Exeter COVID-19 Community Action Fund (CAF) was set up to support groups and organisations with a one-off grant to support projects for community led activities that will:</p> <ul style="list-style-type: none"> • Meet urgent needs within their community • Cover transport costs for getting vital supplies to people isolated at home • Help people to stay connected and informed • Help people maintain and support mental health and wellbeing <p>Initially an amount of £3,000 was available although this reduced to £1,000 when the business support grants, sourced from Central Government, became available – this was in approximately May 2020.</p> <p>Funding for the CAF was provided by the Council and the Exeter Chiefs Foundation</p>

						<p>Applicants were required to apply online. A panel of 5 councillors were formed to review the awarding of these grants. This scheme closed on 30 June 2021.</p> <p>The scope of this audit was to check that;</p> <ul style="list-style-type: none"> • the details in the online application had been correctly entered on the monitoring spreadsheet and that the subsequently approved grants were then correctly paid out from EFINS • Documents to support all decisions are held <p>Remedial action was agreed for all issues identified.</p>
Commercialisation and project management	15	10.5	Follow-up	N/A	N/A	This report was a follow-up of the audit report issued July 2021 to review progress against the agreed actions. Remedial action relating to one high risk finding originally agreed has not been implemented, this will be reported to the next meeting of SMB in July.
Climate Change/Carbon Neutral	8	2.8	No report due			No significant work was possible in this area as the Net Zero team had not been appointed until later in the year. The team are in the process of establishing a Net Zero risk register and that will inform the future audit work for the 2022/23 year.
Covid Business Grants – post award assurance.	30	87.9	Final	N/A	Satisfactory or above	A total of nine business grants schemes were audited against the post award assurance criteria issues by the government. All audits were assessed as satisfactory or above.
Disabled Facilities Grants	8	2.6	Final	↔	Substantial	<p>If a house owner or someone living in their property is disabled, they may qualify for a disabled facilities grant towards the cost of providing adaptations and facilities to enable the disabled person to continue living there.</p> <p>Every authority 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. The authority statement must then be signed by the Chief Finance Officer and the Audit Manager. The Audit work undertaken enable this statement to be signed off.</p>

Other

RIPA Administration	1	1.4
Contingency (special/frauds) including unplanned work	30	24.8
Follow-ups	10	2.8
Audit Development – Data Analysis/CAAT development	5	7.6
Biennial Stakeholder Survey	5	1.6
Process Mapping		
Audit planning and control	60	46.7
NFI	15	10.1
External Audit	2	5.4
Review of hospitality/disclosures	3	1.1
PSIAS Peer Review	0	0.5
Total	472	462.2

* overspend on non-productive days i.e. Admin & Meetings and CRR Admin support resulted in the decrease in productive days

5. Summary of investigations 2021/22

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 27 reports during 2020/21, (22 in 2020/21) an increase of 17% of which:

- 20 were received via the online “Report It” facility on the website (8 were reported anonymously)
- 5 were received via the telephone fraud hotline
- 2 were received via email

Of the 27 reports received:

- 9 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
- 4 issues were in relation to other Council Services
- 8 were issues not dealt with by the Council so were referred to the appropriate external agency
- 2 issues were in respect of NDR/Business grants

Fraud identified within other services 1 April 2021 to 31 March 2022

Date	Type of Fraud	No of cases	Total Value	How detected
17.05.21	Bank Mandate	6	£111.24	Bank Reconciliation undertaken by Council staff identified monthly direct debits taken from council bank accounts not having been set up by Council

16.06.21	Bank Mandate	1	£34.28	Bank Reconciliation undertaken by Council staff identified monthly direct debits taken from council bank accounts not having been set up by Council
18.06.21	Bank Mandate	2	£29.42	Bank Reconciliation undertaken by Council staff identified monthly direct debits taken from council bank accounts not having been set up by Council
26.08.21	Bank Mandate	1	£12.42	Bank Reconciliation undertaken by Council staff identified monthly direct debits taken from council bank accounts not having been set up by Council
05.10.21	Bank Mandate	1	17.04	Bank Reconciliation undertaken by Council staff identified monthly direct debits taken from council bank accounts not having been set up by Council

Use of Whistleblowing policy

No concerns were raised 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%	98%
Customer satisfaction - % Good or Excellent as per feedback forms	90%	N/A (see note below)
Draft reports produced within 10 days	90%	96%
Final reports produced within 10 days	90%	96%
Follow-up within 12 months	95%	100%
Training days per auditor post per annum	6 days	1 day
Number of process improvements		1

6.4 Training – due to the pandemic appropriate training available was limited, therefore the target of 6 days was not met.

User Feedback

6.5 The customer satisfaction results are derived from the customer satisfaction surveys issued following each individual audit. Due to the additional pressure on services due to the Covid19 pandemic, the decision was taken to suspend issuing customer satisfaction surveys for 2021/22. This has been re-introduced for 2022-23.

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 March 2022, when it was found that the service was 98.2% compliant.

Stakeholder Expectations and Perceptions Survey Results 2021/22

Introduction

A stakeholder survey, which has been adapted from the Institute of Internal Auditors (IIA) “A Call to Action Research Study” (CBOOK Study), was issued to a sample of stakeholders to allow us to get an understanding our stakeholder’s perception of the Internal Audit Service and the type of service our stakeholders are expecting.

Our Quality and Assurance Improvement Program, which is a key element of the Public Sector Internal Audit Standards, requires us to conduct a periodic survey of our stakeholders.

Method

Surveys were sent to a sample of stakeholders and eight were returned as follows:

- All Council Members of the Audit and Governance Committee – no surveys returned
- Strategic Management Board – 2 returned
- Operational Management Board – 6 returned

The surveys included a number of statements and stakeholders were asked to rate to what degree that agreed or disagreed with the statements.

Results

The results of the eight surveys returned have been collated and detailed below.

1. All respondents agreed or strongly agreed that Exeter City Council’s Internal Audit Service:
 - Is independent and objective
 - Provides assurance to management and the Audit and Governance Committee
 - Is a consulting resource
 - Works to help improve the organisations operations
 - Evaluates and works to help improve the effectiveness of the governance process
 - Evaluates and works to help improve the effectiveness of risk management processes
 - Evaluates and works to help improve the effectiveness of control processes
2. We asked stakeholders the importance of:
 - Efficiency and effectiveness of operations
 - Reliability of management information (including but not limited to financial reporting)
 - Deterring and detecting fraud
 - Safeguarding assets

- Compliance with laws and regulations
- Corporate Governance
- Enterprise risk management
- Emerging Issues

The respondents felt that compliance with laws and regulations was most important and identifying emerging issues was the least important.

3. We asked the stakeholders how important is it that Internal Audit:

- Perform assurance activities related to corporate governance
- Perform assurance activities related to risk management
- Perform assurance activities related to control processes
- Assist with risk management
- Serve as a catalyst for change and action within the organisation
- Serve as an advisor to the audit committee
- Serve as an advisor to management

The majority scored all as important or highly important, with exception of serve as catalyst for change and action within the organisation, where there was a spread across not important to highly important.

4. The majority of respondents either agreed or strongly agreed that in their experience the Internal Audit service:

- Is knowledgeable about the organisation's strategy, business and initiatives
- Demonstrates proficiency when performing its work
- Is adaptive to the needs of today's business environment
- Anticipates emerging risks
- Provides valuable insights and knowledge to its stakeholders
- Is appropriately knowledgeable of new industry practices
- Seeks feedback on its performance
- Has a positive working relationship with its stakeholders

5. All stakeholders agreed or strongly agreed that Internal Audit reports and other communications are:

- Targeted to the right audience
- Clear and understandable
- Timely
- Informative
- Actionable

6. All stakeholders agreed or strongly agreed that Internal audit seeks stakeholder input on its:

- Annual audit plans
- Plans for individual audit engagements

- Audit performance