



# **Annual Audit Plan 2024-25**

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 2017 (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.

In summary, Internal Audit's main objectives are to:

- Contribute to the achievement of the Council's strategic objective by providing a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources
- 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 identify improvements and enable an effective control environment to be maintained
- Promote a counter fraud culture within the Council to aid the prevention and detection of fraud

*\*Please see the Internal Audit Charter for the detailed objectives*

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

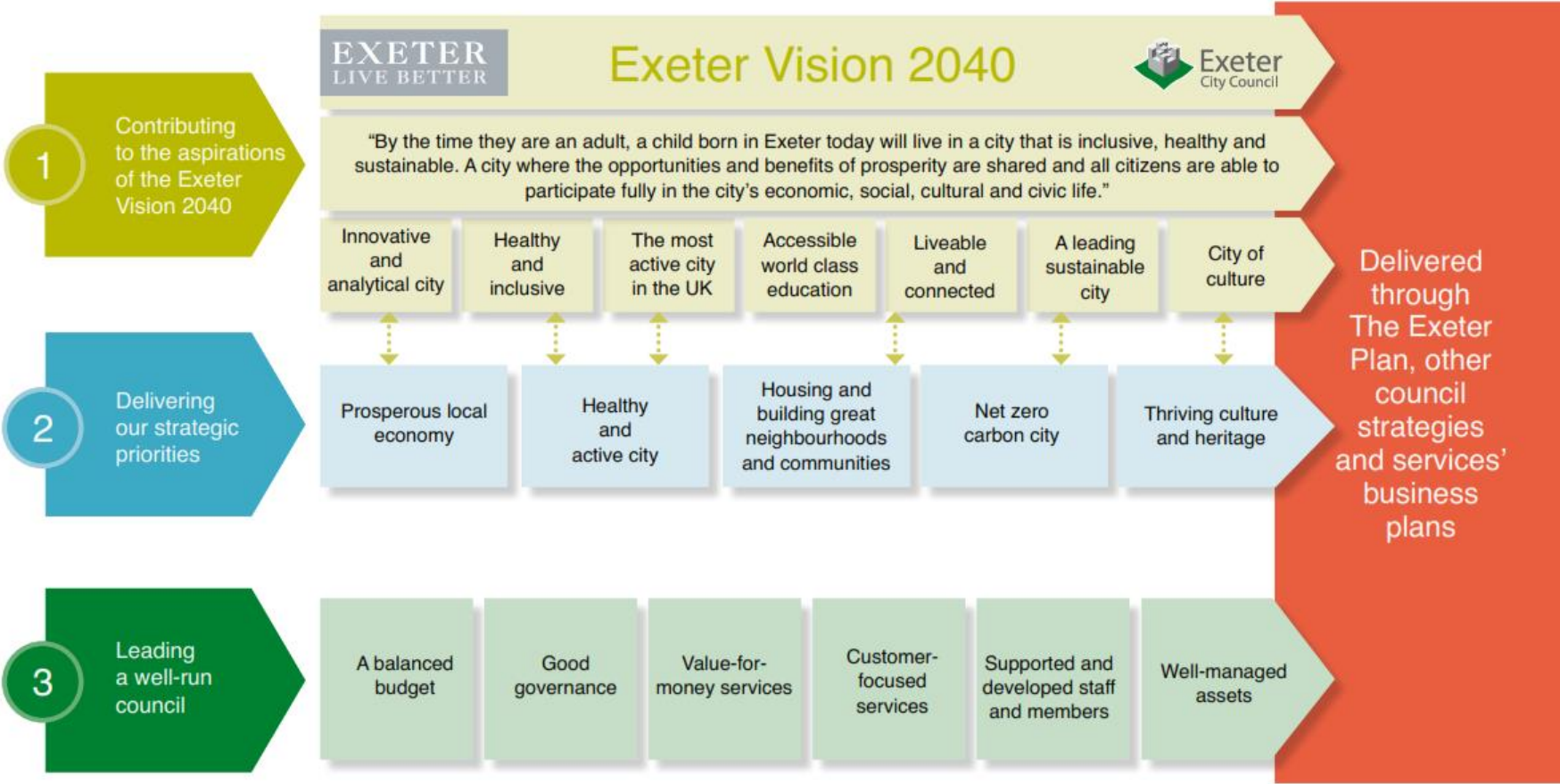
## 3. Conformance with internal auditing Standards

We operate in accordance with the Public Sector Internal Audit standards 2017 (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

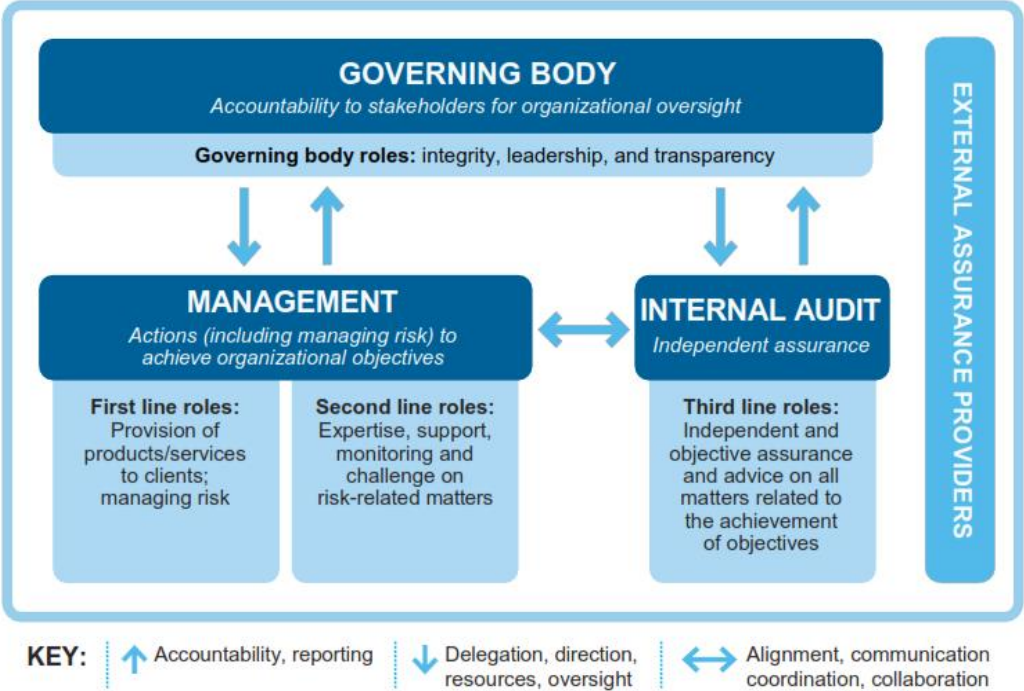


## 5. Council Risk

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 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>
	Governing Body - 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

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.

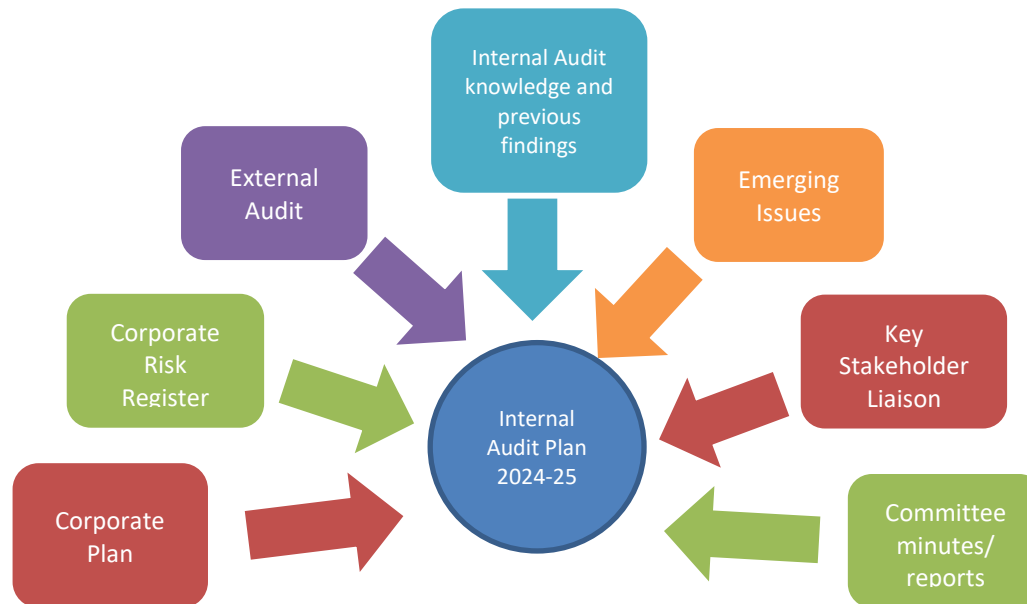
The use of The Three Lines to understand the system of internal control and risk management should not be regarded as an automatic guarantee of success. All three lines need to work effectively with each other and with the audit committee in order to create the right conditions.

## 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 488 days within the plan. Of those days, 166 are fixed days for audit planning and control, general administration, advice and guidance, follow-ups and other activities conducted by Internal Audit. A small amount of the fixed time is set aside as a contingency to allow for unplanned work such as frauds. The remaining 322 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
Risk Management	Systems and processes to manage the Council's risks that could prevent it from meeting its objectives  Risk – financial risks. Failure to meet objectives and purpose	Medium	General support to help embed risk management across the Council.
Counter Fraud	The arrangements in place to fight fraud against the Council.	Medium	General support for counter fraud

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
	Risk – financial risk increased risk of fraud against the Council.		
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.
ICT/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	Reliance is placed on the work of Strata’s Internal Auditors, the Devon Audit partnership, to avoid duplication and make use of their specialist expertise. We will review the annual report and ensure that any risks identified in the report, affecting Exeter City Council, are being addressed.
<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	Support and control testing for the implementation of the new Finance system. 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	Support and control testing for the implementation of the new Pay360 system.
Procurement	<p>The purchasing of goods and services for the Council</p> <p>Risk – financial risk</p>	Medium	General assurance with the changes in the procurement thresholds.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
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. To incorporate VAT coding by service areas.
Corporate Property Assets	<p>Management of the Council’s property assets</p> <p>Risk – financial risk</p>	Medium	Review of maintenance and capital program of works
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	<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.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
<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	Payroll general assurance. An external consultant has been commissioned to carry out some work on People Management, therefore we will determine the scope of any work on this once we understand the scope of the work of the external consultant.
<b>Leading a Well Run Council</b>			
<b>City Management</b>			
Waterways	<p>Management of the Council’s canal, quay and harbour responsibilities</p> <p>Risk – Legislative and financial risk</p>	Low	Review of stock controls, budget and income management control
<b>Net Zero Carbon City</b>			
<b>Net Zero Exeter</b>			
Net Zero/Carbon Reduction	<p>One of the Council’s priorities is to deliver Net Zero Carbon City by 2030.</p> <p>Risk – Reputational and financial</p>	Medium	Follow-up and continuation of ongoing audit work to review the processes to action the Council priority of Net Zero City and also Net Zero Council.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
<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 provision of good quality accommodation across the city.  Risk - financial, legislative and reputational risk	High	General assurance
<b>Housing and Building Great Neighbourhoods</b>			
<b>City Development</b>			
CIL and S106	The administration of Community Infrastructure Levy and S106.  Risk – financial risk	Medium	General assurance work with a new, fully resourced, team in place.
<b>Thriving Culture and Heritage</b>			
<b>Culture and Leisure Facilities</b>			
Communications – social media	The Council uses Social Media as a tool to provide information to the public. A new policy has recently been published.  Risk – reputational risk	Medium	Compliance with the new policy.