

# **Exeter City Council**

## **Internal Audit Plan & Charter and Mandate**

### **2025/26**

# The Internal Audit Plan: Summary

**The internal audit plan is a summary of the proposed audit coverage that the internal audit team will deliver throughout the 2025/26 financial year.**

**Delivery of an internal audit programme of work that provides sufficient and appropriate coverage will enable us to provide a well-informed and comprehensive year-end annual internal audit opinion.**

## Introduction and Objective of the Internal Audit Plan

Internal audit provides an independent and objective opinion on the council's risk management, governance, and control environment by evaluating its effectiveness.

Prior to the start of each financial year, SWAP, in conjunction with senior management, prepares a proposed plan of audit work. The aim of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work will provide senior management and Members with assurance that the council is adequately managing its current risks.

Internal audit is only one source of assurance. The outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines of defence' assurance model. Key findings from our internal audit work should also be considered in conjunction with the Authority's Annual Governance Statement (AGS).

The council's senior management and the Audit and Governance Committee are responsible for confirming that the proposed audit plan is sufficient and appropriate to provide independent assurance against the key risks faced by the organisation.



## The Internal Audit Plan: Approach

To develop an appropriate risk-based audit plan, SWAP has consulted senior management and reviewed key documentation to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes.

### Approach to Internal Audit Planning 2025/26

The factors considered in putting together the 2025/26 internal audit plan have been set out below:



The above factors are used to identify the areas of highest risk across the Council, in line with our risk-based approach.

## The Internal Audit Plan: Risk Assessment

A documented risk assessment, prior to developing an internal audit plan, ensures that sufficient and appropriate areas are identified for consideration.

### Internal Audit Annual Risk Assessment

Our 2025/26 internal audit programme of work is based on a documented risk assessment, which SWAP will re-visit regularly. The risk assessment includes coverage against the Council's corporate/operational risks and priorities and the wider national issues affecting local government. Below we have set out a summary of the outcomes of the risk assessment for East Devon District Council:



## The Internal Audit Plan: Risk Assessment

Following our SWAP Risk Assessment above, we have set out how the proposed 2025/26 presented in Appendix A provides coverage of the Authority's key corporate objectives and risks, as well as our core areas of recommended audit coverage.

Internal audit is only one source of assurance and should be considered in this context.

### Internal Audit Coverage in 2025/26

In line with our professional standards SWAP needs to establish a risk based plan to determine the priorities of the Internal Audit activity, based on sufficient and appropriate coverage of key business objectives and associated risks. This risk based plan must take into account the requirement to provide an annual audit opinion on the effectiveness of the Council's governance, risk management and internal control environment.

The draft plan produced was discussed with the council's Senior Management Team. This meeting was key to agreeing a programme of work reflective of the new corporate plan goals and strategic risks. This approach ensures that resources are directed to the areas where internal audit can offer the most value and insight. We have set out the proposed plan in **Appendix A**.

Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always sit with management. As such, we cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.

# The Internal Audit Plan: Risk Assessment

SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes public sector partners throughout the UK.

As a company, SWAP has adopted the following values, which we ask our clients to assess us against following every piece of work that we do:

- Candid
- Relevant
- Inclusive
- Innovative
- Dedicated

## Your Internal Audit Service

### Conformance with Public Sector Internal Audit Standards

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

At least every five years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in November 2024 which confirmed conformance with the Public Sector Internal Audit Standards.

The Global Institute of Internal Auditors has recently reviewed the Global Internal Audit Standards, which set out the requirements for internal audit practice. The new Standards took effect on 9 January 2025. SWAP is developing a plan to ensure compliance with these new standards.

### Conflicts of Interest

We are not aware of any conflicts of interest within Exeter City Council that would present an impairment to our independence or objectivity. Furthermore, we are satisfied that we will conform with our IIA Code of Ethics in relation to Integrity, Objectivity, Confidentiality, & Competency.

### Consultancy Engagements

As part of our internal audit service, we may accept proposed consultancy engagements, based on the engagement's potential to improve management of risk, add value and improve the organisation's operations. Consultancy work that is accepted, will contribute to our annual opinion and will be included in our plan of work.

### Approach to Fraud

Internal audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. We have dedicated counter-fraud resources available to undertake specific investigations if required. However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.



## The Internal Audit Plan: Approach

### Internal Audit Charter

Annually we provide you with our Internal Audit Charter, for your approval, that reflects the role and responsibilities, of us as internal auditors within your organisation. Our Charter typically accompanies our internal audit risk-based plan detailing the planning approach we are proposing for the year ahead.

The updated Global Internal Audit Standards requires chief audit executives to develop and maintain an Internal Audit Charter. The Internal Audit Charter must set out the internal audit functions covering:

- Purpose;
- Commitment to adhere to the Global Internal Audit Standards;
- Mandate, including the scope and types of services to be provided, and the organisation's responsibilities and expectations regarding management's support of the internal audit function; and
- Organisational position and reporting relationships.

Our updated Internal Audit Charter and Mandate for the Committee to consider and approve can be found at **Appendix B**.

## The Internal Audit Plan: SWAP

Over and above our internal audit service delivery, SWAP will look to add value throughout the year wherever possible. This will include:

- Benchmarking and sharing of best practice between our public-sector Partners
- Regular newsletters and bulletins containing emerging issues and significant risks identified across the SWAP partnership
- Communication of fraud alerts received both regionally and nationally
- Member training sessions

### Our Reporting

We report a summary of internal audit activity to senior management and the Audit and Governance Committee quarterly. This reporting will include any significant risk and control issues (including fraud risks), governance issues and other matters that require the attention of senior management and/or the Audit Committee. We will also report any response from management to a risk we have highlighted that, in our view, may be unacceptable to the organisation.

### Internal Audit Performance:

As part of our regular reporting to senior management and the Audit and Governance Committee, we will report on internal audit performance. The following performance targets will be used to measure the performance of our audit activity:

Performance Measure	Performance Target
<b><u>Delivery of Annual Internal Audit Plan</u></b> Completed at year end	>90%
<b><u>Quality of Audit Work</u></b> Overall Client Satisfaction <i>(did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i>	>95%
<b><u>Outcomes from Audit Work</u></b> Value to the Organisation <i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i>	>95%



Readers should note that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, we hold an initial discussion with management to agree the specific terms of reference for the piece of work, including the objective and scope for the review.

Audit	Planned Quarter	Rationale	Link to Strategic Risk	Strategic Directorate
<b>Assurance Reviews</b>				
Ethical Governance	Q1	Covering both members and officers gifts/hospitality & declarations of interest.		Corporate Resources
Emergency Planning	Q1	Important function not audited in recent years.		Community Services
Community Safety/Anti Social Behaviour	Q1	Links to People new corporate priority.	Delivering housing & building great neighbourhoods	Community Services
Planning – Biodiversity net gain	Q1	Links to new corporate priorities Homes and Sustainable Environment	Delivery of net zero carbon city	Place
Medium Term Financial Plan	Q2	Key financial control. Consider methodology followed including assessment of priorities.	Maintaining the financial stability of the Council.	Corporate Resources
Fraud Risk Assessment	Q2	Work with Council to assess fraud risks. This can then be used to inform future plans	Maintaining the financial stability of the Council	Corporate Resources
Contract Register	Q2	Key to managing contractual arrangements.	Maintaining the financial stability of the Council	Corporate Resources
Health & Safety of Property Portfolio (including housing)	Q2	Consider overall monitoring arrangements that ensure key checks are being undertaken.	Maintaining the Council's Property & Infrastructure assets	Corporate Resources
Private Sector Housing	Q2	Links to Homes new corporate priority.		People
Social Housing Decarbonisation Grant	Q2	Certification is a grant requirement.	Maintaining the Council's Property & Infrastructure assets	Corporate Resources
Risk Management	Q3	Deferred from 24/25 to allow corporate refresh to be undertaken.		Corporate Resources
Housing Rents & Arrears	Q3	Rent arrears have been increasing. Consider including recharge policy and condition of properties returned.		People
Leisure Services	Q3	New operating model in place for leisure. Consider cost neutral methodology.	Progress towards a healthy & active city	Community Services

Audit	Planned Quarter	Rationale	Link to Strategic Risk	Strategic Directorate
Debt Management	Q4	Advisory review in 24/25, high organisational risk reported. Schedule assurance work in 25/26.	Maintaining the financial stability of the Council	Corporate Resources
Records Management	Q4	Consider roles & responsibilities, policies, Information Asset Register, document retention.	Progressing the Corporate customer & digital strategy	People
Waste Management	Q4	Working with a consultant currently, schedule once outcomes agreed. Links to new priority Local Economy.	Delivering housing & building great neighbourhoods	Community Services
<b>Follow-up Reviews</b>				
Corporate Governance	Q2	23/24 Limited assurance		Corporate Resources
Maintenance & Capital Programme of Works	Q3	24/25 Limited assurance	Maintaining the Council's Property & Infrastructure assets	Corporate Resources
CIL Governance	Q3	24/25 Limited assurance	Delivering housing & building great neighbourhoods	Place
Creditors	Q3	24/25 Limited assurance	Maintaining the financial stability of the Council	Corporate Resources
Fraud Baseline Assessment Follow-up	Q4	Determine progress against the road map agreed in 24/25.	Maintaining the financial stability of the Council	Corporate Resources
Follow-up Contingency	All	To allow follow-up work of additional 24/25 limited assurance reviews		
<b>Other Areas of Internal Audit Support</b>				
Head of Internal Audit Role	All	Including planning, meetings with management, client support and attending Audit Committee.		
Action Tracking	All	Monitoring and reporting in relation to internal audit actions		
Ad hoc Fraud advice & support	All	Including member training, confidential reporting and other advisory matters		

## Purpose

SWAP Internal Audit Services creates, protects, and sustains value by providing the audit committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight, that meets rigorous professional standards.

The internal audit function enhances:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with the Institute of Internal Auditors Global Internal Audit Standards which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the audit committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

## Commitment to Adherence to the Professional Standards

The Accounts and Audit (England) Regulations, state that: *“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance.”*

The internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements subject to the Application Note for UK Public Sector Internal Audit. The chief audit executive will report annually to the partner audit committee and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement, managed and monitored by the SWAP senior management team and the SWAP board.

## Mandate

### Authority

The audit committee grants the internal audit function the mandate to provide the audit committee and senior management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the audit committee. Such authority allows for unrestricted access to the audit committee.

The audit committee authorises the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of the Partner and other specialized services from within or outside the Partner organisation to complete internal audit services.

### ***Independence, Organisational Position, and Reporting Relationships***

The chief audit executive will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The chief audit executive will report functionally to the audit committee and administratively (for example, day-to-day operations) to the [chief executive officer or equivalent/senior officer e.g., section 151 Officer]. This positioning provides the authority and status to bring matters directly to senior management and escalate matters to the audit committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The chief audit executive will confirm to the audit committee, at least annually, the organisational independence of the internal audit function. If the governance structure does not support organisational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The chief audit executive will disclose to the audit committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

### **Changes to the Mandate and Charter**

Circumstances may justify a follow-up discussion between the chief audit executive, audit committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant acquisition or reorganisation within the organisation.
- Significant changes in the chief audit executive, audit committee, and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

### **Audit Committee Oversight**

To establish, maintain, and ensure that the internal audit function has sufficient authority to fulfill its duties, the audit committee will:

- Discuss with the chief audit executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the chief audit executive has unrestricted access to, communicates, and interacts directly with the audit committee, including in private meetings without senior management present.
- Ensure arrangements are in place to notify the chief audit executive of all suspected or detected fraud, corruption, or impropriety.
- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the chief audit executive and senior management about the “essential conditions,” described in the Global Internal Audit Standards in the UK Public Sector, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function’s charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter [annually] with the chief audit executive to consider changes affecting the organisation, such as the employment of a new chief audit executive / head of internal audit or changes in the type, severity, and interdependencies of risks to the organisation; and approve the internal audit charter [annually].
- Approve the risk-based internal audit plan.
- Collaborate with senior management to determine the budgets, qualifications, and competencies the organisation expects in a chief audit executive, as described in the Global Internal Audit Standards in the UK Public Sector.
- Review the chief audit executive’s performance, provide feedback to the SWAP CEO, plus senior management, and the organisation’s CEO.
- Receive communications from the chief audit executive about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established.
- Review of the results of the quality assurance and improvement program annually.
- Make appropriate inquiries of management and the chief audit executive to determine whether scope or resource limitations are inappropriate.

### Chief Audit Executive Roles and Responsibilities

#### *Ethics and Professionalism*

The chief audit executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards in the UK Public Sector, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the Partner organisation and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behavior that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

#### Objectivity

The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the Partner organisation or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Partner organisation's employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the chief audit executive, audit committee, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

### Managing the Internal Audit Function

The chief audit executive has the responsibility to:

- At least annually, submit a risk-based internal audit plan to the audit committee and senior management for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the audit committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in the Partner organisation's business, risks, operations, programs, systems, and controls.
- Communicate with the audit committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards in the UK Public Sector.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the audit committee and senior management [annually] and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Global Internal Audit Standards in the UK Public Sector and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the Partner organisation and communicate to the audit committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to the Partner organisation's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards in the UK Public Sector. Any such conflicts will be resolved or documented and communicated to the audit committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the audit committee.

### Communication with the Audit Committee and Senior Management

The chief audit executive will report [annually] to the audit committee and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.



- Significant revisions to the internal audit plan.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement programme, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards in the UK Public Sector and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the audit committee.
- Results of assurance and advisory services.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Partner organisation's risk appetite.
- Clarification over the responsibility to complete a fraud risk assessment, and presentation of this where responsibility belongs to SWAP.

### Quality Assurance and Improvement

The SWAP senior leadership team in collaboration with the chief audit executive / will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The programme will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards in the UK Public Sector, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the audit committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be completed at least once every five years by a qualified, independent assessor or assessment team from outside both SWAP and the Partner Organisation; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

### Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organization, including all the Partner organisation's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the audit committee and management on the adequacy and effectiveness of governance, risk management, and control processes for the Partner organisation. The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified

during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the Partner Organisation’s strategic objectives are appropriately identified and managed.
- The actions of the Partner organisation’s officers, directors, management, employees, and contractors comply with the Partner organisation’s policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Partner organisation.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Approval/Signatures

*L.H. Fryer.*

20/02/2025

Chief Audit Executive

Date

Audit Committee Chair

*Moya Moore*

20/02/2025

Executive Director of Operations (SWAP)

Date