

AUDIT AND GOVERNANCE COMMITTEE

Date: Thursday 27 November 2025
Time: 5.30 pm
Venue: Rennes Room, Civic Centre, Paris Street, Exeter

Members are invited to attend the above meeting to consider the items of business.

If you have an enquiry regarding any items on this agenda, please contact Josie McDonald, Democratic Services Officer on 01392 265 354.

Entry to the Civic Centre can be gained through the Customer Services Centre, Paris Street.

Membership –

Councillors Wardle (Chair), Moore (Deputy Chair), Atkinson, Banyard, Begley, Holland, Knott, Miller-Boam, Mitchell, M, Palmer and Williams, M

Agenda

Part I: Items suggested for discussion with the press and public present

1 Apologies

To receive apologies for absence from Committee Members.

2 Minutes

To approve and sign the minutes of the meeting held on 4 September 2025.

(Pages 3 -
8)

3 Declaration of Interests

Councillors are reminded of the need to declare any disclosable pecuniary interests that relate to business on the agenda and which have not already been included in the register of interests, before any discussion takes place on the item. Unless the interest is sensitive, you must also disclose the nature of the interest. In accordance with the Council's Code of Conduct, you must then leave the room and must not participate in any further discussion on the item. Councillors requiring clarification should seek the advice of the Monitoring Officer prior to the day of the meeting.

4 Local Government Act 1972 - Exclusion of Press and Public

It is considered that the Committee would be unlikely to exclude the press and public during consideration of any of the items on the agenda, but if it should wish to do so, the following resolution should be passed:-

RECOMMENDED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the consideration of

the particular item(s) on the grounds that it (they) involve(s) the likely disclosure of exempt information as defined in the relevant paragraphs of Part 1, Schedule 12A of the Act

Or

RESOLVED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of items XX and XX on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 1, 2, 3 and 4 of Part I, Schedule 12A of the Act.

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|----|---|-------------------|
| 5 | External Audit Progress Report
To consider the report of the Council's External Auditor. | (Pages 9 - 32) |
| 6 | External Auditor's Annual Report
To consider the report of the Council's External Auditor. | (Pages 33 - 84) |
| 7 | Internal Audit Progress Report
To consider the report of the Assistant Director, SWAP. | (Pages 85 - 102) |
| 8 | Limited Assurance Report
To consider the report of the Strategic Director for Corporate Resources. | (Pages 103 - 110) |
| 9 | Strata DAP Internal Audit ICT Annual Report 2024/25
To receive the report of Devon Audit Partnership. | (Pages 111 - 122) |
| 10 | Quarterly Waivers Report
To consider the report of the Strategic Director for Corporate Resources. | (Pages 123 - 134) |
| 11 | Review of Corporate Governance Risk Register
To hear an update on work on the new risk register in line with the new corporate plan, including expert information from Zurich Resilience Solutions. | (Verbal Report) |

Date of Next Meeting

The next **Audit and Governance Committee** will be held on Wednesday 11 February 2026 at 5.30 pm

Find out more about Exeter City Council by looking at our website <http://www.exeter.gov.uk> . This will give you the dates of all future Committee meetings and tell you how you can ask a question at a Scrutiny Committee meeting. Alternatively, contact the Democratic Services Officer (Committees) on 01392 265107 for further information.

Individual reports on this agenda can be produced in large print on request to Democratic Services (Committees) on 01392 265425

AUDIT AND GOVERNANCE COMMITTEE

Thursday 4 September 2025

Present:

Councillor Wardle (Chair)

Councillors Atkinson, Banyard, Holland, Knott, Miller-Boam, Mitchell, M, Payne and Snow

Apologies:

Councillors Moore and Begley

Also Present:

Chief Executive, Strategic Director for Corporate Resources, Head of Legal and Democratic Services & Monitoring Officer, Strategic Director for Place, SWAP Internal Audit Services, Audit Manager - Grant Thornton, Head of Service - Finance, Head of Service - City Centre and Net Zero, Head of Service - Digital and Data and Democratic Services Officer (LS)

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MINUTES

The minutes of the special meeting held 17 July 2025 were taken as read, approved and signed by the Chair as correct.

The minutes of the meeting held 24 July 2025 were taken as read, approved and signed by the Chair as correct.

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DECLARATION OF INTERESTS

No declarations of disclosable pecuniary interests were made.

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INTERNAL AUDIT PROGRESS REPORT

The Assistant Director, SWAP presented the report for the first quarter of 2025/26 making the following points:

- The key items could be found on page 42 and the audit for 2024/25 was complete as there had been one audit to finalise which was now concluded;
- a reasonable start had been made to 2025/26 with 26% completed or in progress with 2 limited assurances issued of which executive summaries were provided at Appendix B beginning on page 48 and full details would be provided in the next agenda item;
- action plan monitoring dashboard could be found at Appendix D with 106 actions of which 4 were overdue. Further details were included following discussion at the last committee meeting. Automatic reminders were now sent to managers of actions overdue or about to become overdue. It was understood that actions could take longer than planned and that target timescales may need to be amended; and
- 35 actions had dates extended and a full list of audits could be found at Appendix D with 2 new which had been deferred from 2024/25.

The Assistant Director, SWAP, responded to Members questions in the following terms:

- the biodiversity net gain audit was ongoing therefore conclusions could not be drawn but more information may be available at the next reporting stage;

and

- the audit had looked at which information governance policies would be expected to be in place and the key issue was that there were gaps in the suite of policies with some missing and others not having been reviewed for some time. An example was given of the Retention Policy which was overdue for review which included the information asset register.

The Audit and Governance Committee noted the Internal Audit Progress Report for the first quarter of 2025/26.

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LIMITED ASSURANCE REPORT

The Head of Service – Finance presented the report making the following points:

- this was an early progress report and detailed the actions to be taken;
- two limited assurances had been issued since July, relating to Payroll and Information Governance.

The Chief Executive, Strategic Director for Corporate Resources and Head of Service – Digital and Data responded to Members' questions in the following terms:

- payments and allowances had been reviewed and the simplifications would be in place by the end of this calendar year;
- when the Strategic Management Board restructure took place the Chief Executive believed that mandatory training was an area which required strengthening;
- at the time of the audit the Head of Service – Digital and Data was new in post but compliance was one of his priorities and it was aimed to be in place by the end of the calendar year;
- iTrent was a system which was under review and the team were looking at ways to improve the product;
- iTrent was used by all three local authorities maintained by Strata therefore ideally the council would make best use of it and this was a priority for the team;
- there were active plans in place to tackle the Information Governance Audit, including an improvement plan for iTrent. Strata was an active participant and provided information and advice but responses to the audit were the responsibility of the city council; and
- it was not believed that the council would be required to report to the Information Commissioner's Officer and the work would ensure that policies were comparable across the three councils working with Strata.

The Audit and Governance Committee noted the audit reports contained at Appendix 1 and 2 and the actions that would be taken in response to the recommendations.

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EXTERNAL AUDIT PROGRESS REPORT

The Audit Manager, Grant Thornton presented the progress report making the following points:

- the cycle was underway and work had begun on the final accounts and financial statement process and this was a progress report.
- the report outlined work done prior to today, interim work and plan;
- there had been a delay in the draft statement being provided;
- value for money work was starting and the interim report would come in

November;

- certification of claims and returns had been carried out by a separate team at Grant Thornton but in liaison with the Manager, Grant Thornton and the Strategic Director for Corporate Resources;
- audit deliverables could be seen;
- the findings report was to be confirmed given the February backdrop which if missed a disclaimer would be issued, however, the aim would be to avoid this; and
- the November committee would be too soon and March too late but in discussion with the Strategic Director they were working towards a resolution.

The Audit Manager, Grant Thornton, Strategic Director for Corporate Resources and Head of Service – Finance responded to Members questions in the following terms:

- the issue with asset valuations was not necessarily with the valuations rather that a new valuer had been taken on utilising a different methodology which had presented challenges and delay;
- there had been some issues in understanding from Commercial Assets of the needs of the valuers and led to issues with them being provided adequate information;
- the council chose to actively challenge the valuation to ensure materially accurate figures in the accounts;
- a meeting had been set up between Estates, Finance and the valuer to understand the needs of both parties;
- management of the leases was a council issue and the role of audit was to ensure that management had identified all leases to be included in the financial statements for 2024/25 and review all assets to check that any which fell under this category were included;
- to prepare for the Council's transition to the new lease accounting standard, IFRS16, an accountant was dedicated to implementing IFRS 16 and tasked to deliver a project plan to move to the new accounting standard which included identifying all leases. Whilst the standard impacted all leases, the most significant impact was on assets leased in by the Council, rather than those leased out;
- IFRS 16 required that leases in were recognised as though they had been purchased;
- in the past leases in had been a revenue cost but they were now recognised as 'right of use' assets and recognised on the balance sheet;
- the budget highlighted a number of properties in the capital programme to be included on the balance sheet as 'right of use' assets. These included properties leased in for temporary accommodation. Rental payments were now split between principal repayment and interest.
- the complaints illustration on page 33 was given as an example rather than a reflection of Exeter's position.

The Audit and Governance Committee noted the External Audit Progress Report.

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AMENDMENTS TO THE COUNCIL FINANCIAL REGULATIONS

The Head of Service Finance presented the report making the following points:

- the revisions included the addition of front and contents pages as well as an introduction which made the document stand alone as part of the wider Constitution;
- there had been key changes to financial thresholds in relation to virements, supplementary budgets, debt write-offs and asset disposals;

- benchmarking with other authorities had taken place which showed that current thresholds were low and restrictive which SWAP had also highlighted;
- Section 8.3.2 had minor amendments; and
- in Appendix 1 all areas shaded in grey were new or amended.

The Head of Service – Finance responded to Members’ questions in the following terms:

- there was a typographical error on page 83 which would be corrected;
- a virement was where a budget had been approved for a purpose and subsequently required to be moved within a service area – this would be cost-neutral but redeploying a budget meant moving from one cost code to another;
- the statute of limitations for debt was six years;
- write-off of debt could be for a variety of reasons and could be undertaken on debts less than 12 months old;
- the new income collection team would be reviewing historic debts and a reduction should be seen; and
- ownership of IT equipment lay with the council and appropriate insurance was in place and Strata managed some aspects of recycling and redeployment.

The Chair moved the recommendations as set out in the report which were seconded by Councillor Payne and following a vote were CARRIED.

RECOMMENDED to Council

- (i) that the revised Financial Regulations at Appendix 1 and 2 are approved;
- (ii) that the thresholds for approving budget virements within each Strategic Directors service areas are increased;
- (iii) that the thresholds for approving supplementary budgets are increased;
- (iv) that the thresholds for approving debtor write-offs are increased;
- (v) that the thresholds for approving disposal of assets are increased;
- (vi) that other minor changes to the regulations are approved.

NET ZERO RISK REGISTER REPORT

The Strategic Director for Place presented the report making the following points:

- this was a regular six-monthly review;
- work going forward would be guided by the Council’s Costed Carbon Footprint Projections Report(Carbon Descent) which was critical and the full study had been presented to the Executive and would be to scrutiny as well as a further report which would go to Executive to establish next steps, actions and targets;
- the detail showed how net zero applied to all council services and actions and initiatives would be embedded in each service with work on this being led by OMB and beginning to address some of the risks;
- the Council was committed to achieving net zero as confirmed in the new Corporate Plan which included using income from a temporary car park to continue funding the net zero team;
- risks remained high and causes were mainly funding or lack of, technology and procurement;
- there was a lot being done and which still could be done;
- a lot of work was being done by the team across services on mitigations;
- residual risk was improving; and
- he expressed thanks to the net zero team for their fantastic work.

The Strategic Director for Place and Head of Service – City Centre and Net Zero responded to Members questions in the following terms:

- the district heat network was a private-sector led initiative of which the council were an enabler, there was no current plan to connect but potential was being explored;
- One Energy were working with four key public sector partners who had PSDS funding, outline planning permission had been achieved and One Energy continued to develop infrastructure;
- detail could be provided regarding other authorities the council were working with but awards have been received and it has been said that we are leading the way in this work;
- an update on citywide net zero would be brought to Strategic Scrutiny Committee which would include updates and the Devon Climate Emergency Group brings those partners together; and
- the risk score used a methodology and what can be seen is what is produced but there was ongoing work which would hopefully mitigate and reduce the risk.

The Chair moved the recommendations as set out in the report which were seconded by Councillor Miller-Boam and following a unanimous vote were CARRIED.

RECOMMENDED to Council that the updated Net Zero Risk Register is approved; and it is acknowledged that the Council's Costed Organisational Carbon Footprint Projections to 2030 study will be reported to Scrutiny on 11 September, after which a further report will be considered by Executive. The report will address further work beyond the measures which have already been fully costed and committed and a revised Carbon Reduction Plan.

(The meeting commenced at 5.30 pm and closed at 6.18 pm)

Chair

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Exeter City Council

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Audit progress report and sector updates

November 2025

Agenda Item 5



Agenda

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Audit Progress Report

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Introduction

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**Name**

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This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of emerging issues which the Committee may wish to consider.

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

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Progress at November 2025

Financial Statements Audit

Our audit plan, which was presented to the July Audit and Governance Committee, set out our approach to the audit of the Council's 2024/25 financial statements.

The significant risks identified within that plan were as follows:

- Management override of controls
- Valuation of land and buildings
- Valuation of investment properties
- Valuation of net pension fund liability

As reported at the July Committee meeting the draft financial statements were not published by the statutory publication date of 30 June 2025, due to ongoing issues with the valuation of property, plant and equipment, and were published on 26 August 2025. There is a risk that this will delay the issuing of the audit opinion and we continue to discuss the issue with management. We will report any impact on our delivery timelines to members through the Audit & Governance Committee meetings.

In our plan we highlighted the Backstop arrangements and that for financial statements for the year ended 31 March 2025 the regulations require audited statements to be published by 27 February 2026. The backstop dates were introduced with the purpose of clearing the backlog and where audit work is not completed this will give rise to a disclaimer of opinion.

We have proposed a target date for completion of our audit fieldwork of 31 December 2025 and continue to work towards that date. We note that the draft financial statements were published after the statutory reporting date due to issues with the valuation of Council assets and have taken this into account.

We continue to work closely with management to progress the audit:

- We have experienced some delays in receiving working papers from management which has resulted in delays in issuing samples and progressing the audit. We continue to hold weekly meetings with management and are working together to ensure that impacts are minimised and that the audit can continue to progress.
- Our audit is currently in progress and we continue to work with the Council to ensure the proposed timetable for providing an audit opinion on the 2024-25 statements and any changes will be communicated to members.

Value for Money

Under the 2020 Audit Code of Practice, we are required to undertake sufficient work to satisfy ourselves that the Authority "has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources."

Our initial risk assessment built on our understanding of your arrangements, taking into account any findings from previous work on value for money. We reported our risk assessment to you at your July 2025 Audit & Governance Committee against the following reporting criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

As reported in our plan we identified the risk of significant weakness in both governance and improving economy, efficiency and effectiveness. We have completed our work in relation to the arrangements at the Council and our interim Auditor's Annual Report is included in the agenda for this Committee meeting. This has confirmed that significant weaknesses were identified in the two areas outlined and have resulted in three key recommendations being made for management and the Committee to consider

Progress at November 2025 (cont.)

Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Works and Pensions (DWP). The certification work for 2024-25 is in progress and we will report any significant findings to the Audit and Governance Committee.

We also certify the Authority's Pooling of housing capital receipts submission. The certification work for 2024-25 is in progress and we will report any significant findings to the Committee

Audit Fees

PSAA have published their scale fees for 2024/25 [2024/25 audit fee scale – PSAA](#)

For Exeter City Council these fees are £190,985. These fees are derived from the procurement exercise carried out by PSAA in 2022. They reflect both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work. We will keep this under review and report any additional fees incurred as laid out in the audit plan.

Events

On 4th June 2025 we hosted a webinar on devolution and local government re-organisation, and lessons from our 2023/24 value for money audits. The recording can be accessed here: [Audit committee webinar](#).

The next event taking place shortly will be:

- ❖ 27th January 2026 – webinar providing updates on managing local authority debt; and on preparing for local government reorganisation.

Invitations will be available shortly on our website or can be obtained from your Engagement Lead or Audit Manager.

Audit Deliverables

Below are some of the audit deliverables planned for 2024/25

2024/25 Deliverables	Planned Date*	Status
Audit Plan We are required to issue a detailed audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Council’s 2024/25 financial statements.	July 2025	Complete
Audit Findings Report The Audit Findings Report will be reported to the Audit and Standards Committee.	February 2026	Not yet due
Auditors Report This includes the opinion on your financial statements.	February 2026	Not yet due
Auditor’s Annual Report This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.	November 2025	Included in Committee papers

Audit Deliverables

Below are some of the audit deliverables planned for 2024/25

2024/25 Audit related deliverables	Planned Date*	Status
Housing Benefit Subsidy – certification This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.	March 2026	Not yet due
Pooling of housing capital receipts - certification This is the report we submit to the Ministry of Housing, Communities and Local Government (MHCLG) based upon the mandated agreed upon procedures we are required to perform.	March 2026	Not yet due

Sector Updates

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Lessons from 2023/24 auditors' annual reports

Recommended reading for Audit Committees:

In August 2025, we published a review of 100 Auditors' Annual Reports (AARs) produced by Grant Thornton for our local government audited bodies across England. This represents about a third of all councils in the country. The AARs offer a wealth of insights on what works, and what doesn't, when it comes to value for money and governance.

The reports in our sample showed that financial sustainability remains the major challenge for the majority of councils. Poor governance has led to some councils depleting their reserves and others incurring excessive borrowing, which current government policies around exceptional financial support and statutory override for dedicated schools grant deficits are not helping.

Common challenges for councils include gaps in risk management; high vacancy rates in internal audit; de-centralised contract management; under-supported project management; and the need for stronger, timelier data on performance. For Councils with Housing Revenue Accounts, there are also significant challenges with identifying, costing and managing high volumes of backlog repairs and maintenance work needed to meet regulatory standards.

However, with this being the second year of reporting on lessons from AARs, we also charted notable examples of cases where arrangements have been strengthened since 2022/23, yielding benefits. As well as good practice questions and reminders, the report includes case studies showing better: Control over transformation planning; approach to internal audit; project management; key performance indicator reporting; and rightsized workforce.

AAR findings in August 2025 can be compared to those from one year earlier by accessing the two years of full reporting here:

[Lessons from 2023/24 auditors' annual reports](#)

[Lessons from recent auditor's annual reports](#)



Financial Instruments in Local Government Accounts (1)

Recommended reading for Audit Committees:

Financial instruments are contracts that give rise to a financial asset for one party and a financial liability or equity instrument for another. In local government, these include a wide range of arrangements such as cash, loans, trade receivables and payables, pooled investments, financial guarantees, and more complex instruments like derivatives or loans with embedded features.

These instruments are governed by accounting standards and can significantly influence how a council's financial position and performance are presented in the accounts. Proper identification and treatment of these instruments are essential to ensure that financial statements reflect the true nature of the authority's financial commitments and exposures.

The accounting for financial instruments is not just a technical exercise. It has real implications for financial planning, risk management, and public accountability. Misclassification or incorrect measurement can lead to material misstatements, unexpected financial impacts, or audit challenges. Financial instruments can affect key areas such as the General Fund, usable reserves, and statutory reporting.

Ensuring that these instruments are correctly accounted for supports transparency, compliance with professional and statutory requirements, and the safeguarding of public resources.

We have recently released a thought leadership report, "Local authority accounting: Avoiding pitfalls in financial instruments" which covers financial instruments in detail.

Our full report includes insight about some of the potential pitfalls relating to financial instruments that can occur in local authority accounts. In addition, each section includes a range of challenge questions for authorities to consider.

The table on the next page highlights key areas of focus in accounting for financial instruments, along with explanatory context and suggested questions that Audit Committee members may wish to raise with management.

The full report is available here:

[Local authority accounting: Avoiding pitfalls in financial instruments | Grant Thornton](#)



Financial Instruments in Local Government Accounts (2)

Key areas of focus in accounting for financial instruments, along with explanatory context and suggested questions for Audit Committees to ask:

Area of Focus	Description	Challenge Questions
Identification	Proper identification ensures that all relevant instruments are captured in the financial statements and assessed for risk and impact. While some items like loans and investments are obvious, others may be less visible.	<ul style="list-style-type: none"> How have you ensured that all financial instruments, including less obvious or complex arrangements, have been identified? What controls are in place? Have any new or unusual arrangements been reviewed for potential financial instrument implications?
Classification	Financial instruments must be classified based on how they are managed and the nature of their cash flows. Classification determines how movements are reported in the financial statements and can influence the volatility of reported results.	<ul style="list-style-type: none"> What process is followed to determine the classification of financial instruments, and how do you ensure that the classification reflects the nature of the financial instrument, including both business purpose and characteristics? Have any instruments been classified differently this year, and if so, why?
Measurement	Once identified and classified, financial instruments must be measured appropriately. Measurement affects reported balances and income, and errors can lead to misstatements.	<ul style="list-style-type: none"> What valuation methods are used for financial instruments, and how are they validated? Were any experts required during this process? Do changes in assumptions or market conditions require remeasurement?
Disclosure	Disclosures help users of the financial statements understand the nature, significance, and risks of financial instruments. Disclosures should be tailored to your specific circumstances, avoiding unnecessary complexity or boilerplate language.	<ul style="list-style-type: none"> How do you ensure that disclosures are tailored to reflect the authority's specific financial instruments and risks, and are any additional disclosures required for unusual or complex financial instruments, or for particular risks? Are disclosures complete, clear, and free from unnecessary detail?
Other Considerations	Other considerations include soft loans, capital treatment of financial assets, statutory overrides, and the requirement to make prudent revenue provisions (MRP) for certain losses. These adjustments can have a direct impact on financial planning and budget setting.	<ul style="list-style-type: none"> Have all relevant statutory overrides and adjustments been correctly applied and disclosed, and what impact have these adjustments had on the General Fund or other usable reserves? Are expected credit losses / impairments reflected in the financial strategy?

Reorganisation update



Key reorganisation dates for Audit Committees to be aware of:

Key dates that Audit Committees need to be aware of for Councils other than Surrey (whose deadline was 9th May 2025) are listed below. :

26th September 2025: Deadline for areas in the Devolution Priority Programme to submit final proposals for reorganisation.

28th November 2025: Deadline for all other areas to submit final proposals for reorganisation.



Comments from Unison for Audit Committees be aware of, June 2025:

Reorganisation “poses a risk for thousands of local government jobs. Crucial services on which some of society’s most vulnerable people rely could also be disrupted”. The union called for workers to be protected and for the support of residents and staff to be engaged.



August 2025: [Lessons from 2023/24 auditors annual reports](#)

Among the 100 AARs we reviewed in August 2025, were eight AARs for relatively new unitary authorities formed during or since the local government reorganisation of 2019. Our report analyses recommendations made to these councils in 2023/24 for insights that will be useful to others as they embark on their reorganisation journey.



Other recommended materials to support Audit Committees:

September 2024: [Learning from the new unitary councils](#)

March 2025: [Navigating the future: The dual challenge of local Government reorganisation and devolution | Grant Thornton](#)

June 2025: [Audit committee webinar](#)

May 2025: We also directly shared a technical briefing on reorganisation with statutory officers in May 2025. Audit Committees can obtain a copy of the briefing note now from their Section 151 officer, or from their Audit Engagement Lead or Audit Manager.

Other structural changes

Key information for Audit Committees to be aware of:



Multi-year allocations – 11th June 2025

The Spending Review on 11th June 2025 committed to multi-year allocations through the upcoming 2026/27 Local Government Finance Settlement. An assessment of each council's needs and resources was also committed to.

[Spending Review 2025 \(HTML\) - GOV.UK](#)

Additional information on the Spending Review and Fair Funding Review can be seen on pages 16 and 17 of this update.



Simplified local structures – 24th June 2025

The Minister of State for Housing, Communities and Local Government announced on 24th June 2025 that Councils with a committee system will be required to transition to a leader and cabinet model. He also announced a ban on creating new directly elected council mayors.

[Written statements - Written questions, answers and statements - UK Parliament](#)



Pensions pooling – 11th August 2025

Seven Council pension funds announced plans to join the Border to Coast pool on 11th August 2025. The government has committed to allow some “limited flexibility” to other administering authorities looking for new asset pools (moving away from Access and Brunel) but does expect all to conform as closely as possible to the 31 March 2026 deadline for meeting new minimum standards set for asset pooling.

[Pension Investment Review Final Report](#)



English Devolution and Community Empowerment

The English Devolution and Community Empowerment Bill was presented to the House of Commons and given its first reading on 10th July 2025; and its second reading on 2nd September 2025. With ayes of 365 and noes of 164 on 2nd September, the Bill now moves to Committee stage.

[English Devolution and Community Empowerment Bill](#)

Local government financial sustainability

Key information for Audit Committees to be aware of:

On 18th June 2025, the Committee of Public Accounts reported that “MHCLG has implemented short-term and unsustainable approaches to keep local government afloat”.

As evidence, the Committee reported that :

- ❖ Forty-two local authorities had to receive exceptional financial support;
- ❖ Spending on special educational needs and disabilities has outstripped the money available from the Department for Education to pay for it.

Adding to concern, the Committee also reported:

- ❖ MHCLG does not know if the billions spent delivering services locally results in better outcomes for people;
- ❖ Neither MHCLG nor HM Treasury have assessed the impact that increases in national insurance contributions will have; and
- ❖ There is significant uncertainty around how the proposed local government finance reforms and reorganisation will be implemented.

Two days later, on 20th June 2025, the government announced that the statutory override for dedicated schools grant deficits will be extended by another two years, until 31 March 2028. There is no clarity yet about how the debt associated with the grant will be managed once this new period of statutory override ends.

For wider debt burdens, the [LocalGov daily bulletin 19th August 2025](#), reported that Freedom of Information request responses from 254 councils found that:

- ❖ There has been a 60% increase in Council debt over the last sixty years; and
- ❖ Roughly a fifth of council tax revenue is being spent on payments for debt interest.

For a full copy of the Committee of Public Accounts report see [Local Government Financial Sustainability](#).



The Spending Review

Key questions for Audit Committees to ask officers:

- ❖ Have we calculated what impact the Spending Review will have on the assumptions in our medium-term financial plan?
- ❖ If the impact is negative, what mitigation is planned?

Background:

The Spending Review on 12th February 2025 did not directly address local government debt (other than that in some cases exceptional financial support increases the debt). However, the Spending Review did provide an additional £3.3 billion of grant funding in real terms for local authorities in 2028/29 compared with 2023/24. This included:

- ❖ Over £4 billion of funding available for adult social care in 2028-29 compared to 2025/26.
- ❖ £555 million to help more children stay with their families; and £560 million, between 2026/27 and 2029/30, to refurbish and expand children's homes and foster care placements.
- ❖ £39 billion for a successor to the Affordable Homes Programme over 10 years from 2026/27 to 2035/36.

- ❖ £100 million for a new community partnership approach to spending on adults with complex needs.

The Spending Review also announced a new £3.25 billion Transformation Fund to support the reform of public services so that they are focused on prevention, including for special educational needs and disability and homelessness.

The intention is that investment in digital technology and artificial intelligence transformation programmes will drive productivity improvements and help to deliver the government's missions.

[Spending Review 2025 \(HTML\) - GOV.UK](#)



Fair Funding Review 2.0

Key questions for Audit Committee to ask officers:

- ❖ What impact do we expect the Fair Funding Review to have on our medium-term financial plan?
- ❖ Have we calculated what level of support we will need from transitional arrangements?
- ❖ What mitigations are we planning if we don't receive transitional support?

Background:

Between June and August 2025, the government ran a [public Fair Funding Review consultation](#) on how it should implement Fair Funding Review 2, including on how the local government grant system should be made fairer and how transitional arrangements should work.

Under the Fair Funding Review, significant changes to the grant funding system for English local government are now expected to take effect on 1st April 2026, for the 2026/27 financial year. It is expected that grant funding will be allocated to English local authorities using a three-part system, consisting of an assessment of relative need, based on socio-economic indicators; an area costs adjustment; and a resource assessment, measuring the capacity of each council to raise council tax.

It is expected that:

- ❖ There will be no further retained business rates revenue;
- ❖ Recent spending on social care and deprivation will influence the formula; and
- ❖ There will be reduced funding for Councils with higher capacity to raise council tax.

The new methodology will apply to the Revenue Support Grant, which will also swallow up several other smaller grants that Councils currently receive.

Because the existing system has been untouched for many years, and because no new money will accompany the review, there are likely to be some very large changes to some councils' funding allocations.

The [Local Government Information Unit](#) recently argued that “in many ways (the changes) will start to put England back onto its pre-2013 footing”; and a three-year transitional period has been proposed.

Nevertheless, the changes are going to be difficult for some Councils to absorb, especially those that already have other issues with their financial sustainability.



Public procurement

Key questions for Audit Committee to ask officers:

- ❖ How much do we currently spend per annum on contracts with small and medium-sized enterprises and voluntary, community and social enterprises?
- ❖ Do we test whether our suppliers pay their creditors within appropriate timescales?
- ❖ Which outsourced services, if any, have we assessed to test whether outsourcing is still the best solution?

Background:

Between June and September 2025, the government consulted on public procurement. With an estimated £385 billion spent through public procurement every year, the consultation is intended to support implementation of the new National Procurement Policy Statement.



Cabinet Office

Proposals that are being consulted on include:

- ❖ Mandating large contracting authorities with procurement spend over £100 million per annum to publish their own 3-year target for direct spend with small and medium-sized enterprises and voluntary, community and social enterprises; and report against it annually;
- ❖ excluding suppliers from bidding for major contracts (over £5 million per annum) if they cannot demonstrate they pay their invoices within an average of 60 days;
- ❖ requiring contracting authorities to make a standard assessment before procuring a major contract to test whether service delivery should be inhouse or outsourced;
- ❖ mandating contracting authorities to carry out a public interest test prior to making a sourcing decision on major service contracts; and
- ❖ requiring contracting authorities to publish the results of the public interest test in the tender notice.

The government states that the proposals will “open up more opportunities for small and medium-sized enterprises (SMEs) and voluntary, community, and social enterprises (VCSEs), which are vital for driving the UK economy”.

For a full understanding of the proposals that were put forward, follow this link: [Public Procurement: Growing British industry, jobs and skills](#)

Keeping fit for the future

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Key question for Audit Committees to ask officers:

- ❖ What changes to governance structures do we expect the new ten-year health plan to have on us?
- ❖ How are we preparing?

Background:

On 3rd July 2025, the government outlined the new ten-year NHS plan [Fit for the future](#). The plan points to a closer working partnership between local government and Integrated Care Board (ICBs), stating that:

- ❖ The number of ICBs will be reduced from 42 and the remaining ICBs will then be encouraged to adjust their boundaries to match those of new combined authorities;
- ❖ the government's aim over ten years is that ICBs will be coterminous with strategic authorities wherever feasibly possible;
- ❖ Integrated Care Partnerships will be abolished but in future, a neighbourhood health plan will be drawn up by local government, the NHS and its partners at single or upper tier authority level under the leadership of the Health and Wellbeing Board, incorporating public health, social care, and the Better Care Fund;
- ❖ mayors are going to replace local government representatives on ICB Boards;
- ❖ local authorities are going to take up Local HealthWatch social care functions; and
- ❖ from 2026, every single or upper tier local authority will be required to participate in an external public health peer review exercise, on a 5-year cycle, with the results directly informing local plans.

Keeping the leisure estate fit for the future

Key question for Audit Committees to ask officers:

- ❖ How are repairs and maintenance and replacement costs for our leisure estate reflected in our medium-term financial plan?
- ❖ Are we on track to cover replacement costs for the leisure estate?

Background:

Some £400 million was announced in [Fit for the future](#) for grassroots sports facilities, but it is not yet clear how much of that will be directed to local authorities. On 2nd August 2025, the [Local Government Association](#) reported that:

- ❖ Since 2010, 500 swimming pools have closed, representing a loss of over 34,000 square metres of water space. Nearly half of the closures occurred in the last five years.
- ❖ 63 per cent of main sports halls and 60 per cent of swimming pools are beyond their expected lifespans or in need of refurbishment.
- ❖ 24 per cent of council areas face the risk of reducing or closing leisure services due to rising energy and operational costs.

An early understanding of the condition of the estate will help to maximise the effectiveness of any funding that does become available to Councils.



Asylum seekers update

Key questions for Audit Committees to ask their officers:

- ❖ How do we capture and report accommodation costs?
- ❖ Have we calculated whether costs are matched by grant income received?
How are we managing any difference?
- ❖ What are our safeguarding responsibilities? What assurance do we have that we are meeting them?
- ❖ What assurance do we have that we are meeting our duty of care to children and vulnerable adults?

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Background:

On 29th August 2025, the Court of Appeal ruled that The Bell Hotel in Epping Forest can continue to house asylum seekers, overturning an interim injunction that Epping Forest District Council had secured ten days previously to restrain the use of the hotel for such a purpose unless planning permission was granted. The Council was then denied the opportunity to appeal to the Supreme Court.

[Home Office data](#) published on 21st August 2025 shows that 115 other Councils currently have hotels within their areas that are housing asylum seekers. Those Councils may have been watching the outcome of The Bell Hotel case closely.

[The National Audit Office](#) recently estimated that it costs £15.3 billion per annum to house asylum seekers in hotels; and that hotel accommodation accounts for 76% of the annual cost of asylum contracts but houses only 35% of people in asylum accommodation system.

The [Spending Review 2025](#) committed to ending government use of asylum hotels during the current Parliament. The expectation is that these will be replaced by central government owned accommodation, probably delivered by purchasing tower blocks and former student accommodation. However, no timeline has been set for this initiative yet. Without a timeline, hotel costs are likely to be incurred and need managing for some time yet.



Future Webinars for Audit Committee members

We plan to hold a webinar for members of Audit Committees on 27th January 2026. Invitations will be available shortly on our website or can be obtained from your Engagement Lead or Audit Manager.

Areas our webinar will help with include:

Managing debt:

Understanding the true level of debt across all sources;

Assessing the viability of plans for debt repayment;

Understanding and assessing current and future exposure to risk; and

Best practice for Councils managing debt.

Local government reorganisation:

Understanding and anticipating outcomes from the latest submissions;

Managing change whilst waiting for decision announcements; and

Preparing for next steps after decision announcements.



Audit Committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

Code of Audit Practice for local auditors (NAO):

<https://www.nao.org.uk/code-audit-practice/>

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

The Three Lines of Defence Model (IAA)

<https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

Delivering Good Governance in Local Government

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

Financial Management Code

<https://www.cipfa.org/fmcode>

Prudential Code

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

Treasury Management Code

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crossectoral-guidance-notes-2021-edition>



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Exeter City Council

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Auditor's Annual Report
Year ending 31 March 2025

17 November 2025

Agenda Item 6



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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01 Introduction and context

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Introduction

This report brings together a summary of all the work we have undertaken for Exeter City Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 20224/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 31 of the Local Audit and Accountability Act, the auditor of a local authority may make an application for judicial review of a decision of that authority, or of a failure by that authority to act, which it is reasonable to believe would have an effect on the accounts of that body. They may also issue

- Statutory Recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR)

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024/25

National

Past



Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Local

Present



Financial Sustainability

Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.



External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future



Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.



Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Exeter City Council is a district Council providing services, alongside Devon County Council, to a population of 130,000 residents. The Council has actively responded to the Local Government Reorganisation (LGR) agenda and developed detailed proposals for a unitary Council for Exeter (and surrounding areas) within a three unitary model for Devon. Councils within Devon will need to submit their final LGR plans to central government by 28 November 2025.

The Council operates under a Leader and Executive model. The Council has 39 elected Councillors, each appointed for a four-year term, with a third of the 39 seats contested each year. The next elections for Exeter City Council Councillors will take place in May 2026. The Labour party has been in control of the Council since 2012. During 2024/25 the Council developed its strategic planning, supported by public engagement, which has led to the adoption of a new Corporate Plan 2025-2028 which includes four key priorities underpinned by a strategic focus on efficient and effective delivery to help secure value for money in the provision of public services.

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council’s arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	A No significant weaknesses in arrangements identified. Nine improvement recommendations made.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but four improvement recommendations made in relation to savings delivery, workforce planning, asset management and capital activities.
Governance	R Three significant weaknesses in arrangements identified. Five improvement recommendations made.	Risk of significant weakness identified with regards to alternative delivery models, counter fraud activities and associated commissioning.	R Significant weakness in arrangements identified relating to counter fraud arrangements and a key recommendation raised. We also raise one improvement recommendation relating to committee development.
Improving economy, efficiency and effectiveness	R Two significant weaknesses in arrangements identified. Three improvement recommendations made.	Risk of significant weakness identified with regards to performance management frameworks and with regards to the Council's contract management arrangements.	R Significant weaknesses in arrangements identified relating to performance monitoring and the Council’s procurement and contract management activities and two key recommendations raised. No improvement recommendations raised.

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendation(s) made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

The Council reported a General Fund service underspend of £5.2m in 2024/25 which has resulted in a supplementary budget being carried forward to 2025/26. In 2024/25 the Housing Revenue Account (HRA), reported a marginal overspend linked to the Council's commitment to housing compliance.

The Council's set a balanced General Fund budget for 2025/26 with the HRA budget accommodating a planned deficit. Both General Fund and HRA are forecasting, at quarter one 2025/26, financial balance.

Both General Fund and HRA reserves are of a level that offers suitable contingency. However, it is essential the Council identifies further savings to support a balanced Medium Term Financial Strategy (MTFS) and we have raised an improvement recommendation. We have also raised improvement recommendations in relation to workforce planning, asset management and deliverability of the Council's General Fund capital programme.



Governance

We have identified a significant weakness relating to the Council's counter fraud arrangements and have raised a key recommendation.

The Council has reviewed its risk management arrangements to ensure they remain fit for purpose and routinely assesses the strategic risks that threaten key objectives. The Council has in place an effective internal audit service. The head of internal audit provided limited assurance for 2024/25 and in response the Control has acted to drive forward further improvement.

There is a structured and transparent decision-making process in place, supported by effective scrutiny. Arrangements are in place to ensure compliance with legislative and regulatory requirements. The Council has in place appropriate budget setting and monitoring arrangements and has taken steps to ensure timely oversight of key financial data. We have raised an improvement recommendation to further strengthen committee effectiveness.



Improving economy, efficiency and effectiveness


We have identified significant weaknesses relating to the Council's non-financial performance reporting, and procurement and contract management arrangements. We have raised two key recommendations.

The Council can demonstrate it places a focus on data quality and utilises a wide range of benchmarking data to identify areas of improvement. We also note the Council's willingness to participate in sector led development and we have found strong evidence of how the Council seeks and values stakeholder input when shaping key areas of decision making.

The Council has reviewed and updated its arrangements with regards to its companies, alternative delivery models and charities and has put in place six monthly update reports to Members to further enhance oversight and governance. We note the Council has reported that Strata (Council owned ICT company) has made significant progress against its current business plan.

Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Council’s financial statements and sets out whether we have used any of the other powers available to us as the Council’s auditors.

Auditor’s responsibility	2024/25 outcome	
Opinion on the Financial Statements	<p>Our audit commenced in September 2025 and as at the date of the interim AAR has progressed well, despite some slow responses to our initial audit requests. We will look to complete our work by the end of the calendar year to issue the opinion following the Audit & Governance Committee meeting in February 2026.</p>	
Use of auditor’s powers	<p>We have not identified any requirements for the use of auditor’s powers in the work completed to date. We will report any findings to management and to members of the Audit & Governance Committee</p>	

03 Opinion on the financial statements and use of auditor's powers

Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

Our work is still in progress. We plan to issue the audit opinion following the Audit & Governance Committee at the February 2026 meeting.

The full opinion will be included within the Council's Annual Financial Statements for 2024-25, which can be obtained from the Council's website

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council did not provide draft accounts in line with the national deadline of 30 June 2025. These were published on the 22 August 2025. This was due to delays in the valuation process and management's subsequent challenge of some valuations and changes from prior years.

Draft financial statements were of a reasonable standard and we continue to work with management to obtain detailed working papers.

Our work is ongoing and we have nothing significant to report as at the date of this report. We will report any findings to management and members of the Audit & Governance Committee ahead of the Committee meeting in February 2026.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. We plan to issue the final version of our report to the Council's Audit & Governance Committee in February 2026. Requests for this Audit Findings Report should be directed to the Council.

Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

This work has yet to be completed and we will report any findings to management and members of the Audit & Governance Committee.



04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Council's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

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Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them</p>	<p>The Council reported a gross General Fund underspend of £5.2m for 2024/25. After transfers to reserves the Council reported a net General Fund overspend of £0.5m overspend which was offset in its entirety by better-than-expected business rate income. The 2024/25 General Fund revenue outturn report highlighted that most underspends would be carried forward to 2025/26 as a commitment to utilise the expenditure still existed. This has resulted in a 'supplementary budget' of £4.5m to be added to the 2025/26 budget. We note that a supplementary budget of £6.4m was added to the 2024/25 budget, based on the same rationale.</p> <p>The Council's HRA revenue outturn was a deficit of £0.8m, representing an overspend of £0.5m from the planned position. The main reason for this adverse variance was due to repairs and maintenance overspending linked to the Council's proactive stock survey programme which is nearing completion and demonstrates the Council's focus on housing compliance and standards.</p> <p>The Council set a balanced General Fund net revenue budget (NRB) of £21.9m for 2025/26. The latest financial forecast for 2025/26 identifies a forecast underspend of £0.3m. However, we do note forecast slippage (£0.7m) in relation to savings delivery. The Council Medium Term Financial Strategy (MTFS) 2025/26-2028/29 also indicates a budget gap of £4.5m which will require the Council to identify further savings. This is assessed in more detail in the following section. The HRA budget for 2025/26 reflected HRA gross expenditure of £25m with a net deficit budget of £0.6m to be funded by balances. The latest HRA financial forecast for 2025/26 identifies an improved position with a £0.4m deficit forecast.</p> <p>The Council undertakes a risk-based approach to identifying minimum levels of General fund and HRA working balances. For 2025/26 the minimum level of General Fund working balances was set at £3.1m (14% of NRB) and is forecast to be £4.1m as of 31 March 2026. The Council set the minimum level of HRA working balances to be £3.5m (14% of gross expenditure) and is forecast to be £4.5m as of 31 March 2026. The Council's annual assessment of minimum levels of balances represents a suitable risk mitigation strategy and is good practice.</p>	<p>G</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

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We considered how the Council:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	<p>The Council’s General Fund outturn report for 2024/25 reported that the Council delivered £1.1m of savings, which was 79% of the approved savings target of £1.4m. The report also highlighted that the Council’s change programme ‘One Exeter’ was concluded and now embedded across the Council. The Council’s 2025/26 budget includes savings of £2.1m. The level of savings identified were sufficient to balance the 2025/26 budget, but budget gaps remain in the Council’s MTFS 2025/26 – 2028/29, which at the time were estimated to be £4.4m. This means the Council will need to find additional savings to ensure financial balance in the medium term.</p> <p>The latest financial forecast for 2025/26 indicates that 67% of the planned savings will be delivered. Any slippage in the delivery of agreed savings could create future financial pressure and compound gaps in the MTFS and/or impact reserve levels.</p> <p>It is important the Council places an organisational focus on identifying further savings to support a balanced MTFS and to support reserve levels. We have made an improvement recommendation. Please see page 18.</p>	A
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Council has developed a new Corporate Plan 2025- 2028 which shapes the overall strategic direction of the Council, helps direct the distribution of resources and informs the Council’s financial planning. The Corporate Plan 2025- 2028 includes four main strategic priorities, which are underpinned by a commitment to ‘operate a well-run Council, delivering efficient and effective, value for money public services.’ This theme includes a key outcome for ‘a balanced budget achieved by focusing on priorities, efficient delivery of services and sustainable income generation’. This describes the strategic importance the Council places on financial sustainability and represents good practice. The Council’s 2025/26 budget also clearly articulates the financial impact of statutory services on the Council’s financial planning and how this impacts controllable spend.</p>	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

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We considered how the Council:	Commentary on arrangements	Rating
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council's financial planning is coherently linked with wider strategies, plans and priorities such as the Council, Capital Strategy, Treasury Management Strategy and Net Zero commitments. We have identified opportunities for the Council to further strengthen arrangements by the adoption of workforce and asset management strategies which would support effective financial planning and the delivery of Council strategic priorities. Additionally, we have identified significant slippage in the Council's General Fund capital programme. The Council is responding to this issue, but a close focus needs to be placed on improving the deliverability of the Council's General Fund capital aspirations. We have identified three separate improvement recommendations, however we note that there is a degree of interdependency between all three. Please see page 19-21.	A
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	<p>The Council maintains a Corporate Risk Register that sets out key financial risks and describes a range of appropriate Council controls. Budget setting reports provide a comprehensive appraisal of the Council's financial position, financial risks and mitigating actions, further supported by financial risk narratives within budget monitoring reports.</p> <p>Financial assumptions are clearly set out in budget setting reports. As part of the budget setting process for 2025/26 the Council considered using a risk-based approach for the adequacy of its reserves and adopted a minimum prudent level of working balances. This is built into the MTFS to help shield the Council against financial risks. This approach is considered good practice.</p>	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Area for Improvement identified: identifying and delivering savings

Key Finding: The Council is currently forecasting slippage in the delivery of identified savings in 2025/26, and the Council also has unfunded budget gaps in the General Fund MTFS 2025/26 – 2028/29.

Evidence: The Council delivered £1.1m of General Fund savings in 2024/25 but this was 21% less than planned. The Council's saving target has sharply increased to £2.1m in 2025/26. The Council has in place arrangements to carefully track and monitor savings delivery. However, the quarter one 2025/26 financial forecast indicates slippage, with only 67% of savings forecast to be realised, and this could have a knock-on effect on future years. Additionally, the Council's MTFS 2025/26 – 2028/29, identifies a residual budget gap of £4.4m (for the period 2026/27-2028/29) after identified savings of £1.3m. The budget gap for 2026/27 being £2.1m.

The Council's General Fund working balance, forecast to be £4.1m (14% of NRB) as of 31 March 2026, appears reasonable but there is a need for the Council to develop a pipeline of savings to balance the MTFS and to help protect reserves. We note the Executive supported, in June 2025, further one-off investment in Council transformation activity to support the identification of further savings.

Impact: Savings slippage and budget gaps within the Council's MTFS combine to create risk to the medium-term financial suitability of the Council. The Council needs to mobilise its transformational activity to identify adequate savings to balance its MTFS whilst helping to maintain reserve balances at adequate levels.

Improvement Recommendation 1

IR1: We recommend the Council places an organisational focus on developing its transformational activities. This will help the Council identify budget savings to support a balanced MTFS whilst preserving working balances at appropriate levels.

Financial sustainability (continued)

Area for Improvement identified: Workforce Planning

Key Finding: The Council's Corporate Plan 2025 – 2028 includes workforce themes but the Council does not have in place a specific workforce strategy that is aligned to strategic priorities or the Council's financial planning. The Council's 2024/25 outturn detailed budget variances that in part related to workforce matters.

Evidence: The Council's Corporate Plan 2025 – 2028 includes an outcome measure relating to 'positive staff recruitment and retention rates' however the Council's 2024/25 revenue outturn reported several significant variances that related to vacant posts. These areas of vacancy contributed to a significant underspend for 2024/25, as already identified within this report.

The Council have informed us that service plans are assessed as part of the financial planning process, but it has not developed a workforce strategy.

Impact: The absence of an agreed workforce strategy, aligned to the Council's Corporate Plan 2025 – 2028 and MTFS, increases financial risk to the Council. The workforce strategy should be informed by an organisational stock take of recruitment need.

Improvement Recommendation 2

IR2: The Council should:

- Undertake a comprehensive review of organisational workforce capacity and need.
- Develop and formally agree a Workforce Strategy which should demonstrate alignment to the Council's Corporate Plan 2025-2028 and MTFS.

Financial sustainability (continued)

Area for Improvement identified: Asset Management

Key Finding: The Council is yet to adopt new asset management strategies, despite a prior year improvement recommendation.

Evidence: The Council's adopted in 2018 a Corporate Property Maintenance Strategy (non HRA assets) and this is now outdated. Within our 2023/24 Auditors Annual Report we identified a need for the Council to review and update its strategic asset management planning.

The Council has made progress, and we have been provided with a draft HRA Asset Management Strategy 2025 – 2030 and we understand this is scheduled to be adopted during 2025/26. The Council have also informed us that a separate Corporate Property Strategy is being developed for non-HRA assets. The Council's Corporate Plan 2025 – 2028 includes an intended outcome of 'effective investment and maintenance programmes for the assets that underpin our business' which underlines the need for the Council to develop and adopt appropriate strategies.

Impact: The development and adoption of a Corporate Property Strategy and HRA Asset Management Strategy will support the Council to identify and allocate financial and organisational resources, support the Council's medium term financial planning, and delivery of Corporate Plan priorities.

Improvement Recommendation 3

IR3: We recommend the Council reviews, adopts and embeds appropriate assets management strategies in relation to both HRA and non-HRA assets.

Financial sustainability (continued)

Area for Improvement identified: Deliverability of General Fund Capital Programme

Key Finding: The Council has reported significant slippage during 2024/25 in relation to the delivery of its agreed General Fund capital programme. Capital programme slippage was also identified as an area for improvement in our prior year work.

Evidence: The Council's General Fund capital expenditure for 2024/25 was £8.4m or 26% of the original capital budget of £32.8m. In contrast, HRA capital expenditure for 2024/25 was £22.4m or 95% of the original HRA capital budget.

We also understand from the Council that officer vacancies, cost inflation and viability challenges have been identified as contributory factors for the slippage.

The Council is acting by restructuring service arrangements, better aligning existing resources, and also plans to increase capital programme oversight by the mobilisation of an internal Capital Programme Board, which will be led by senior officers.

Impact: It is important that the Council places a focus on driving through enhancements to existing arrangements relating to capital programme activities to minimise slippage and support the delivery of the Council's strategic and financial objectives.

Improvement Recommendation 4

IR4: We recommend the Council places a specific focus on embedding planned improvements relating to the Council's General Fund capital activities to support more optimal delivery.

Governance – commentary on arrangements

Page 54

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>The Council has in place a current Risk Management Policy and maintains a Corporate Risk Register (CRR) which provides informative details on each of the strategic risks the Council is facing and is supported by frequent oversight and governance by the Executive and also the Audit and Governance Committee. The Council has recently reviewed its CRR, with specialist external support, to ensure arrangements were optimal, which is good practice.</p> <p>The Council has appropriate internal audit arrangements in place, with frequent and informative update reports considered by the Audit and Governance Committee. For 2024/25 an overall Limited Assurance opinion was provided by the Head of Internal Audit. In response the Council has put in place additional measures to support improvement. This includes reporting all limited assurance findings to the Council’s senior management board and Audit and Governance, and the implementation of additional tracking measures to support oversight. These actions are considered a reasonable approach and will help support continuous improvement.</p> <p>The Council does have a Counter Fraud Strategy. The Council plans to update this however this is yet to be completed. We have seen examples of specific Council activity to minimise fraud and error but there is limited evidence of a coordinated and proactive counter fraud service in operation, underpinned by appropriate training and awareness. In our prior year Auditors Annual Report, we raised a key recommendation relating to the Council’s counter fraud activities in 2024/25 and this is restated. Please see page 25.</p>	R

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	<p>The Council has a structured budget setting process, project managed by the finance team, which involves meaningful engagement with Members, officers and stakeholders.</p> <p>Budget proposals for 2025/26 were subject to a comprehensive external consultation which represents good practice. The Council has in place a regime of appropriate governance to support the development of its annual budget, including oversight from the Council’s Combined Strategic Scrutiny and Customer Focus Scrutiny Committee.</p>	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	<p>The Council can evidence it monitors and reports its financial position throughout the financial year.</p> <p>The Council’s finance team collaborates with service areas to conduct a monthly forecast. Detailed financial monitoring reports are considered quarterly by Full Council. Such financial monitoring reports are no longer considered separately by the Executive with the Council explaining this change was to accelerate decision making and ensure key financial data is assessed by all Members in a timely manner.</p> <p>The Customer Focus Scrutiny Committee also provides additional oversight to the Council’s financial position, with financial monitoring reports considered every six months.</p>	G

Page 55

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</p>	<p>The Council's routinely reviews its Constitution to ensure it remains fit for purpose, which is good practice. As detailed in the Constitution, the Council has adopted a Leader and Executive form of governance. Executive, committee, and Full Council meetings are published on the Council's website, which supports transparency. Our review of committee papers has not identified any instances of inappropriate decision making and papers are sufficiently detailed. Council decisions are subject to appropriate scrutiny by the Council's scrutiny committees (including a specific joint scrutiny committee overseeing the operation of a key Council company). The Council's scrutiny committee activities are detailed within an annual report, and this represents best practice.</p> <p>There is in place an effective Audit and Governance Committee, however we have identified opportunities for the committee's arrangements to be enhanced even further, and we have raised an improvement recommendation. Please see page 26.</p> <p>The Council has undertaken extensive activity to respond to the government's LGR agenda. Comprehensive LGR information, key decisions and timelines are transparently published on the Council website, and the Council has applied a sharp focus on securing stakeholder input as proposals are developed, all of which is notable practice.</p>	A
<p>monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour</p>	<p>The Council reviewed its Code of Corporate Governance to ensure adherence to best practice which demonstrates the Council's focus on principles of good governance. The Council has a range of policies, codes and procedures which describe expectations for Members and officers in terms of conduct and behaviour, and support compliance with legislative and regulatory requirements. These include the Member and officer codes of conduct based on Nolan principles, a whistleblowing policy and procedures for declaring interests and gifts and hospitality. The Council has commenced, during 2024/25, reporting contract exemptions to the Audit and Governance Committee, which is good practice. The Council still needs to develop a revised procurement strategy and take further actions to improve its contract management arrangements as such this section of the report has been RAG rated red, and these areas of improvement have been incorporated into a wider key recommendation within the economy, efficiency and effectiveness section of this report.</p>	G

- G

 No significant weaknesses or improvement recommendations.
- A

 No significant weaknesses, improvement recommendations made.
- R

 Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance (continued)

Significant weakness identified in relation to Counter Fraud Activities

Key finding: Within our 2023/24 Auditor's Annual Report we raised a key recommendation relating to the Council's counter fraud activities. This key recommendation related to the 2024/25 financial year and was reported early. We have secured some further evidence of the Council's counter fraud arrangements, but overall, these do require further development.

Evidence: Within our prior year value for money assessment, we raised a key recommendation. We stated that 'the Council should ensure that appropriate fraud management arrangements are in place as soon as possible for 2024/25, including assigning responsibility for the counter fraud strategy, proactive detection work, fraud awareness training and investigation of allegations of fraud.'

We have assessed the Council's current counter fraud arrangements and established that the Council's internal audit service can provide support in response to identified fraud risks, but do not provide a full proactive fraud service to the Council. The Council is yet to substantially review its counter fraud strategy (although we understand this is planned activity) and we have not been provided with any evidence of counter fraud training being provided to officers. However, we have secured evidence of the Council undertaking specific programmes of work to minimise fraud and error such as participation within the national fraud initiative and wider programmes of work with revenues and benefits.

Impact: In conclusion, we consider the Council still needs to satisfy itself that it has the necessary counter fraud resources in place, take action to update key strategies and ensure officers are provided with relevant training. These improvements would further strengthen the Council's control environment.

Key recommendation 1

KR1: The Council should ensure that appropriate fraud management arrangements are put in place as soon as possible, including assigning responsibility for the counter fraud strategy, proactive detection work, fraud awareness training and investigation of allegations of fraud.

Governance (continued)

Area for Improvement identified: Audit and Governance Committee self assessment and recruitment of independent members

Key Finding: We have seen no evidence of the Audit and Governance Committee undertaking a recent self-assessment and the committee membership does not include independent members, despite a prior year improvement recommendation.

Evidence: The Council operates an Audit and Governance Committee which during 2024/25 met regularly and considered relevant matters within its terms of reference. The Chartered Institute of Public Finance and Accountancy (CIPFA) has produced the 'Audit Committees: Practical Guidance for Local Authorities and Police', which deals with the function and operation of Audit Committees and represents best practice for Audit Committees in local authorities throughout the UK. The guidance also includes a self-assessment tool to identify areas of improvement. This guidance also recommends the appointment of independent members to serve alongside elected members. The Council has not undertaken a recent self-assessment, nor does the Committee include independent members.

Impact: A self-assessment exercise will enable the Audit and Governance Committee to evaluate its effectiveness and identify areas for improvement. The appointment of independent members would strengthen, even further, governance arrangements.

Improvement Recommendation 5

IR5: We recommend the Council should ensure the continued effectiveness of the Audit and Governance Committee by:

- Conducting a self-assessment exercise in line with CIPFA methodology.
- Exploring opportunities to appoint independent members in adherence to best practice.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>uses financial and performance information to assess performance to identify areas for improvement</p>	<p>The Council has developed it strategic objectives, and in July 2025 adopted a new Corporate Plan 2025 – 2028 which identifies key priorities for the Council and includes a commitment to monitor progress against a series of metrics to ensure outcomes are being realised.</p> <p>The Council have also developed the corporate performance framework dashboard to support the Council in its performance management activities. Regular performance reporting to those charged with governance is also due to commence in the coming months. This represents a positive direction of travel and demonstrates the Council has responded to our prior year key recommendation. However, comprehensive performance reporting was not in place during 2024/25 and therefore our prior year significant weakness stands. Please see page 29. Based on our understanding of pending actions it could be expected that matters will be remedied upon our 2025/26 value for money assessments.</p> <p>The Council has in place a data quality strategy to support accurate reporting, and we have been provided with evidence of how the Council utilises a wide range of benchmarking data to support service delivery and continuous improvement both of which are areas of good practice.</p>	<p>R</p>
<p>evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>During 2024/25 the Council engaged the Local Government Association (LGA) to undertake a review of the Council’s work on Equality, Diversity and Inclusion. The Council responded to LGA feedback and undertook a series of activities overseen by an executive led task force. These activities included the adoption of a revised Equality, Diversity and Inclusion Policy, development of training materials, all staff briefings and a review of the Council’s Equality, Diversity and Inclusion champions group. This demonstrates the Council’s focus on continuous improvement and openness to peer led development.</p>	<p>G</p>

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:		Commentary on arrangements	Rating
Page 60	ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	<p>The Council places an organisational focus on meaningful stakeholder engagement as evidenced by the adoption of a consultation charter and by the operation of consultation portal - Engage Exeter. The Council are currently developing arrangements even further by developing a Consultation & Engagement Strategy.</p> <p>The Council regularly seeks stakeholder input to help shape key decisions and we note consultations undertaken in respect of the annual budget, Corporate Plan development and LGR proposals. The Council’s engagement activities represent good practice. The Council operates a partnership register and key partnership activities are reported to the those charged with governance which supports transparency and oversight.</p>	G
	commissions or procures services, assessing whether it is realising the expected benefits	<p>The Council has continued to drive improvement in its procurement and contract management arrangements. The Council has provided introductory procurement training to officers and updated its Contract Procedure Rules (CPRs) to align with the requirements of the Procurement Act 2023. Reporting has also commenced to the Audit and Governance Committee of the number and value of waivers (where normal procurement practices did not or could not apply), which supports transparency in procurement. The Council actively participates in a range of collaborative procurement arrangements which supports the delivery of value through shared procurement practice.</p> <p>The Council still needs to develop a revised procurement strategy and take further action to improve its contract management arrangements these factors have been included within a key recommendation. Please see pages 30-31.</p> <p>The Council has reviewed its companies, alternative delivery models and charities to ensure arrangements remain optimal and has commenced a cycle of ongoing reports to Members in relation to the activities and performance of these entities. Recent reports identify that Strata, a Council owned company, has made significant progress against its current business plan.</p>	R

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness (continued)

Significant weakness identified in relation to performance management and reporting

Key finding: Within our 2023/24 Auditors Annual Report we identified a key recommendation relating to performance reporting. The Council has responded to this recommendation. However, some planned activities are yet to be embedded.

Evidence: The Council has previously recognised a need to develop its non-financial performance management arrangements. We acknowledge the timeline for these enhancements were dependant on the Council developing a new Corporate Plan, which has now been adopted in July 2025. The Corporate Plan 2025-2028 is underpinned by a series of intended outcome measures, and this creates a framework for the assessment and monitoring of strategic objectives. Alongside this the Council has developed a comprehensive corporate performance framework, built within Power BI, allowing the Council to assess service performance in real time.

The Council have also stated formal performance reporting to Members is intended to commence by the end of 2025. We also note there are opportunities for the Strategic Management Board to also receive performance monitoring reports as part of its normal meeting cycle alongside its current assessment of financial performance monitoring.

Impact: During 2024/25 the Council did not have in place robust oversight and governance arrangements relating to non-financial performance monitoring, but we have seen clear evidence the Council has taken more recent action to develop its performance monitoring arrangements. The Council has yet to commence formal reporting of performance measures, alongside financial performance, to the Strategic Management Board and those charged with governance. It is important these actions are completed and embedded to ensure effective oversight of all performance matters.

Key recommendation 2

KR2: We recommend the Council further embeds its non-financial performance management arrangements by the introduction of a regular cycle of formal performance management reports both to the Strategic Management Board and those charged with governance.

Improving economy, efficiency and effectiveness (continued)

Significant weakness identified in relation to Council's procurement and contract management arrangements

Key finding: Within our 2023/24 Auditors Annual Report we identified a key recommendation relating to procurement and contract management activity. The Council has responded to this recommendation and improvement is being progressed. However, there are areas that remain to be addressed which presents risk to the Council.

Evidence: The Council has developed areas of procurement and contract management practice. This included updating its CPRs to ensure adherence of the Procurement Act 2023, reporting waivers to the Audit and Governance Committee, and providing high level procurement training for officers.

However, the Council is yet to revise its Procurement Strategy to ensure it remains fit for purpose and aligns with the Procurement Act 2023. Additionally, the Council does not have in place a Contract Management Framework (or similar) which can help underpin a wider Procurement Strategy. The Council does not currently operate a risk-based contract oversight methodology that could determine the frequency and depth of contract assurance reviews based on contract value and potential impact on service delivery, a model that we have observed used in other Council's. The lack of clearly defined procurement and contract management strategies, frameworks and assurance processes creates significant risk in respect of legislative compliance, responsibilities and obtaining value for money.

We also note internal audit have recently undertaken, on the request of the procurement service, an internal audit review of compliance with procurement and contract procedures with limited assurance provided. The Council have responded to these findings with a series of planned actions to address identified weaknesses, including the introduction of a Procurement & Contract Assurance Board. This Board will have a primary focus to monitor and manage commercial and procurement expenditure across the Council and the Council states this will include the review of existing contracts, new contracts and contract renewals.

Impact: The Council's adoption of a Procurement Strategy and Contract Management Framework will further enhance the Council's procurement and contract management arrangements. These key documents will also support the Council to ensure contracts are managed effectively, efficiently, and in compliance with all legal and regulatory requirements, and help clearly define roles. The inclusion of a risk-based contract oversight and assurance methodology would also support the Council to effectively monitor contracts. The introduction of a Contract Management Framework should be accompanied by training to all officers charged with contract management responsibilities. These recommendations should be delivered with some urgency, and the Council will need to satisfy itself it has the necessary resources to drive these recommendations forward.

(Continued)

Improving economy, efficiency and effectiveness (continued)

Significant weakness identified in relation to Council's procurement and contract management arrangements (continued)

Key recommendation 3

KR3: We recommend the Council further strengthens its procurement and contract management arrangements by:

- Adopting, a revised Procurement Strategy and a Contract Management Framework to strengthen procurement and contract management arrangements and compliance.
- Developing and embedding contract management procedures, such as a risk-based methodology, to increase corporate oversight and assurance that contracts are being appropriately managed.
- Cascade a contract management training programme to all relevant officers to support the introduction of a Contract Management Framework.
- Satisfying itself that it has sufficient organisational leadership, resources and capacity to drive forward required areas of improvement at pace to ensure risks in respect of legislative compliance, responsibilities and value for money are minimised.

05 Summary of Value for Money Recommendations raised in 2024/25

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
KR1 The Council should ensure that appropriate fraud management arrangements are put in place as soon as possible, including assigning responsibility for the counter fraud strategy, proactive detection work, fraud awareness training and investigation of allegations of fraud.	Governance (pages 23–27)	<p>Actions: Whilst the Council agrees that there is some further work to do, significant steps have been taken. Following the senior leadership restructure in Summer 2024, responsibility for the counter fraud strategy was assigned to the Head of Service, Finance.</p> <p>Detection Work</p> <p>National Fraud Initiative</p> <p>Proactive detention work has been undertaken during 2024/25 with a range of datasets reviewed as part of the Government’s National Fraud Initiative.</p> <p>Single Person Discount Review</p> <p>During 2024/25 the Council also undertook a Single Person Discount review to identify residents who are no longer eligible to claim single persons discount on their council tax and reduce fraudulent claims. Approximately £9.3m is discounted, with 31% of Exeter City households claiming it. The exercise resulted in 740 single person discounts removed and 66 single person discounts amended to another discount or exemption.</p> <p>Housing Benefit Award Accuracy (HBAA) Programme</p> <p>The Council continued to work with the Department for Work and Pensions (DWP) to tackle fraud and error through the Housing Benefit Award Accuracy (HBAA) Initiative. For 25/26 our funded volumes are for 647 claim reviews. As at September 2025 350 reviews had been initiated.</p> <p>Tenancy Fraud</p> <p>The Tenancy Services Team routinely perform work to combat tenancy fraud. The team investigate potential tenancy fraud</p>

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions								
<div>KR1</div> <div>The Council should ensure that appropriate fraud management arrangements are put in place as soon as possible, including assigning responsibility for the counter fraud strategy, proactive detection work, fraud awareness training and investigation of allegations of fraud.</div> <div>(continued)</div>	Governance (pages 23–27)	<div>Reporting suspected fraud</div> <div>Employees and members of the public who are concerned about any aspect of the Council’s work can complete an on-line report of suspected fraud or irregularity. These reports are sent to the Council’s internal auditors, South West Audit Partnership confidential@swapaudit.co.uk) which are subsequently referred to the respective service area for investigation. For the period 1 April ’25 - 28 August ’25, a total of 30 reports were referred.</div> <table><tr><td>Revs and Bens only</td><td>17</td></tr><tr><td>Housing only</td><td>6</td></tr><tr><td>Covers Revs, Bens and Housing</td><td>6</td></tr><tr><td>Other</td><td>1</td></tr></table> <div>Housing Benefit fraud is now investigated by the DWP Fraud and Error Service, so referrals in this service area are reported to the Fraud and Error Service (www.gov.uk/report-benefit-fraud).</div> <div>South West Audit Partnership</div> <div>As part of the Council’s membership of South West Audit Partnership (SWAP) it has access to 30 days annual support in relation to counter fraud. The Head of Service, Finance has requested an advisory baseline assessment of the Council’s counter fraud arrangements, to help inform any changes to its counter fraud strategy, proactive detection work, fraud awareness training and investigations of fraud.</div> <div>Responsible Officer: Head of Service Finance</div> <div>Due Date: March 2026</div>	Revs and Bens only	17	Housing only	6	Covers Revs, Bens and Housing	6	Other	1
Revs and Bens only	17									
Housing only	6									
Covers Revs, Bens and Housing	6									
Other	1									

Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
KR2	We recommend the Council further embeds its non-financial performance management arrangements by the introduction of a regular cycle of formal performance management reports both to the Strategic Management Board and those charged with governance.	Improvement economy, efficiency and effectiveness (pages 28-32)	<p>Actions: Agreed. The Council has been following a logical approach to implementing the corporate performance framework. The Corporate Plan was adopted in June 2025, and Heads of Service have developed a range of performance indicators for each of their services. These are now in place. The final element is to produce a summary report for SMB, and it is anticipated that this will start in January 2026.</p> <p>Responsible Officer: Senior Management Board.</p> <p>Due Date: January 2026</p>

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>KR3 We recommend the Council further strengthens its procurement and contract management arrangements by:</p> <ul style="list-style-type: none"> • Adopting, a revised Procurement Strategy and a Contract Management Framework to strengthen procurement and contract management arrangements and compliance. • Developing and embedding contract management procedures, such as a risk-based methodology, to increase corporate oversight and assurance that contracts are being appropriately managed. • Cascade a contract management training programme to all relevant officers to support the introduction of a Contract Management Framework. • Satisfying itself that it has sufficient organisational leadership, resources and capacity to drive forward required areas of improvement at pace to ensure risks in respect of legislative compliance, responsibilities and value for money are minimised. 	<p>Improvement economy, efficiency and effectiveness (pages 28-32)</p>	<p>Actions: Agreed.</p> <ul style="list-style-type: none"> • First Procurement and Contract Assurance Board (PCAB) meeting arranged. <p>Responsible Officer: Strategic Director – Corporate Resources</p> <p>Due Date: 30 November 2025</p> <ul style="list-style-type: none"> • Development of a contract management framework and associated tools for approval by PCAB. <p>Responsible Officer: Head of Service – Legal and Democratic Services</p> <p>Due Date: 31 March 2026</p> <ul style="list-style-type: none"> • Review and update the Council’s Procurement Strategy to align with current procurement legislation and policy. <p>Responsible Officer: Head of Service – Legal and Democratic Services</p> <p>Due Date: 30 December 2026</p> <ul style="list-style-type: none"> • Establishment of a contract tiering system <p>Responsible Officer: Head of Service – Legal and Democratic Services</p> <p>Due Date: 30 October 2026</p> <ul style="list-style-type: none"> • Development of contract management training linked to the PCAB approved Contract Management Framework. Roll training out to Heads of Service and key contract managers (tier 1 and 2 contracts). <p>Responsible Officer: Head of Service – Legal and Democratic Services</p> <p>Due Date: 30 September 2026</p>

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	We recommend the Council places an organisational focus on developing its transformational activities. This will help the Council identify budget savings to support a balanced MTFS whilst preserving working balances at appropriate levels.	Financial sustainability (pages 16–22)	<p>Actions: The Council has prioritised its digitalisation work with a Rapid Impact Team pilot in Parks and Green Spaces and Waste. The results are about to be considered by SMB and then the programme will be rolled out across the Council. Strata’s new business plan includes a range of capital projects to support the roll out across the organisation.</p> <p>Responsible Officer: Senior Management Board.</p> <p>Due Date: December 2025</p>
IR2	<p>The Council should:</p> <ul style="list-style-type: none"> Undertake a comprehensive review of organisational workforce capacity and need. Develop and formally agree a Workforce Strategy which should demonstrate alignment to the Council’s Corporate Plan 2025-2028 and MTFS. 	Financial sustainability (pages 16–22)	<p>Actions: Not agreed. With LGR to be determined next year, it would be more appropriate for the new Council to undertake this work in preparation for going live in April 2028.</p> <p>Responsible Officer: n/a</p> <p>Due Date: n/a</p>
IR3	We recommend the Council reviews adopts and embeds appropriate asset management strategies in relation to both HRA and non-HRA assets.	Financial sustainability (pages 16–22)	<p>Actions: Agreed. This is in progress, and it is anticipated that both Strategies will be in place before the end of the financial year.</p> <p>Responsible Officer: Strategic Director Corporate Services and Strategic Director Operations</p> <p>Due Date: March 2026.</p>

Improvement recommendations raised in 2024/25 (continued)

	Recommendation	Relates to	Management Actions
IR4	We recommend the Council places a specific focus on embedding planned improvements relating to the Council’s General Fund capital activities to support more optimal delivery.	Financial sustainability (pages 16–22)	<p>Actions: Agreed. A new Capital & Projects Board will meet for the first time on 15 December 2025 to monitor progress against key projects and drive improvements to the capital programme. This, along with a restructure in the Assets team, will drive improvements to the capital programme delivery.</p> <p>Responsible Officer: Senior Management Board.</p> <p>Due Date: March 2026.</p>
IR5	<p>We recommend the Council should ensure the continued effectiveness of the Audit and Governance Committee by:</p> <ul style="list-style-type: none"> • Conducting a self-assessment exercise in line with CIPFA methodology. • Exploring opportunities to appoint independent members in adherence to best practice. 	Governance (pages 23–27)	<p>Actions: Agreed. The Council will acquire a questionnaire to undertake the self assessment exercise and will consider again the possibility of independent members.</p> <p>Responsible Officer: Strategic Director Corporate Services.</p> <p>Due Date: March 2026.</p>

06 Follow up of previous Key recommendations

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	<p>The Council should review the alternative delivery models with which it is involved and assess if continuing with these arrangements is appropriate and provides the best value for money. Where it is appropriate to continue, the Council should strengthen the governance arrangements as follows:</p> <ul style="list-style-type: none"> •determine who will act as the shareholder representative or Council lead •agree the objectives or benefits expected through partnership working so that performance can be effectively monitored •introduce periodic financial and performance monitoring reports which are reviewed by members within public meetings. 	2023/24	<p>The Council has acted on this recommendation. In January 2025, the Executive considered a report detailing a review of Council Companies, Alternative Delivery Models and Charities. Further update reports are also being provided to Members.</p>	Implemented in full	None needed.

Follow up of 2023/24 Key recommendations (continued)

Page 73

	Prior Recommendation	Raised	Progress	Current status	Further action
KR2	The Council should ensure corporate performance monitoring of its strategic priorities is undertaken and reported to the Executive or Full Council on a quarterly basis. Directorate and service performance monitoring should support and be linked to the Council’s strategic priorities. A robust performance management framework should clearly set out the approach required.	2023/24	The Council has acted on this recommendation and developed its non-financial performance management arrangements. However, formal reporting of performance data to senior officers and Members is yet to be commenced, although this is planned activity.	Partially implemented.	We have restated and reworded a prior year key recommendation.
KR3	The Council should ensure that appropriate fraud management arrangements are in place as soon as possible for 2024/25, including assigning responsibility for the counter fraud strategy, proactive detection work, fraud awareness training and investigation of allegations of fraud.	2023/24	We have seen some evidence of Council activity to minimise fraud and error. However, in our prior year Auditors Annual Report we raised a key recommendation relating to the Council counter fraud activities in 2024/25 and this is restated.	Limited progress made	We have restated and reworded a prior year key recommendation.

Follow up of 2023/24 Key recommendations (continued)

	Prior Recommendation	Raised	Progress	Current status	Further action
KR4	The Council should ensure that effective procurement procedures are in place to ensure all service requirements are addressed when services are outsourced.	2023/24	This recommendation has now been closed. Procurement and contract management is referenced in a new overarching key recommendation.	Closed.	This specific key recommendation is closed. However, procurement and contract management is referenced in a wider overarching key recommendation.
KR5	The Council should urgently review all spend to suppliers (including spend through corporate credit cards and staff expense reimbursement) to identify all instances where procurement has not been in accordance with contract procedure rules or procurement legislation. The Council should ensure that appropriate action is taken to ensure breaches are identified and appropriate action taken. The Council should also ensure that timely and accurate reporting of all breaches and contract exceptions (waivers) is reported to the Audit and Governance Committee on a quarterly basis. Due to the severity of this issue the Council should action this recommendation within six months.	2023/24	The Council continued to drive improvement in its procurement and contract management arrangements during 2024/25. The Council still needs to develop a revised procurement strategy and take further action to improve its contract management arrangements.	Partially implemented.	Procurement and contract management is referenced in a new overarching key recommendation.

07 Appendices

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Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

Phase 1 – Planning and initial risk assessment


As part of our planning, we assess our knowledge of the Council’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.



A range of different recommendations can be raised by the Council’s auditors as follows:

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment	
Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

Page 78

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Council should assess if its continued approach of not uplifting its budgets for general inflation is realistic and places increased financial pressure on services.	2023/24	The Council have responded to this recommendation and reviewed inflation assumptions as part of the Council’s budget setting process.	Recommendation closed.	None needed.
IR2	The Council should ensure that the impacts from the subsidiary undertakings are clearly set out in the Council’s budget report.	2023/24	The Council has acted on this recommendation. In January 2025, the Executive considered a report detailing a review of Council Companies, Alternative Delivery Models and Charities. Further update reports are also being provided to members.	Recommendation closed.	None needed.
IR3	The Council should build sufficient contingency into its savings plans to allow for delivery in line with previous years (80%).	2023/24	The Council is managing risks relating to savings slippage through its reserve arrangements. However, the Council is reporting slippage in its saving programme and has unfunded budget gaps within it MTFS 2025/26 – 2028/29.	Limited progress made.	We have restated and reworded this recommendation.

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

Page 79

	Prior Recommendation	Raised	Progress	Current position	Further action
IR4	The budget and MTFP reports should evidence how they align to the Council’s corporate objectives.	2023/24	The Council have introduced a new Corporate Plan in July 2025 which has a focus on financial sustainability. The Council have also committed to continue to align future budget reports to the new corporate objectives.	Recommendation closed.	None needed.
IR5	The Council should ensure that benchmarking is used to identify service area cost drivers and comparative costs of service delivery when developing its budget and MTFP.	2023/24	The Council have confirmed they utilise a range of financial benchmarking data to identify areas of efficiency.	Recommendation closed.	None needed.
IR6	The Council should develop an Asset Management Strategy covering all Council owned assets.	2023/24	The Council’s Corporate Property Maintenance Strategy (non HRA assets) is outdated. The Council has drafted an HRA Asset Management Strategy but it yet to be adopted but is scheduled for December 2025.	Limited progress made.	We have restated and reworded this recommendation.
IR7	The Council should review all slippages within its Capital Programme to identify if there are any lessons to be learned.	2023/24	The Council has reported a significant general fund capital programme underspend in 2024/25.	Limited progress made.	We have restated and reworded this recommendation.

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

Page 80

	Prior Recommendation	Raised	Progress	Current position	Further action
IR8	The Council should ensure that the risks in the budget report also reflect the likely costs over the life of the MTFP to ensure the Council is satisfied regarding the adequacy of General Fund reserves for the life of the MTFP. The Council should also identify specific mitigating actions to reduce the risks.	2023/24	The Council have responded to this recommendation, and we note annual budget setting reports include a future forecast of reserve levels.	Recommendation closed.	None needed.
IR9	The scenario planning and sensitivity analysis undertaken as part of the budget setting process should be included within the budget report or MTFP presented to the Executive and Full Council.	2023/24	The Council does utilise such planning and analysis and has committed to include in future budget reports.	Recommendation closed.	None needed.

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

Page 81

	Prior Recommendation	Raised	Progress	Current position	Further action
IR10	<p>The Council should review the reporting of risks and consider including:</p> <ul style="list-style-type: none"> • whether a particular risk is outside the stated risk appetite; • direction of travel indicator for each risk score; and • narrative to explain any changes in risk scores and the reasoning behind the current risk score. 	2023/24	The Council have completed a review of its risk managements arrangements and risk reporting has been enhanced even further.	Recommendation closed.	None needed.
IR11	The Council should ensure that the AGS has information about whistleblowing arrangements.	2023/24	The Council have responded appropriately to this recommendation. The Council has in place reasonable whistleblowing arrangements.	Recommendation closed.	None needed.
IR12	The Council should ensure it and its Internal Auditor’s receive a written statement of assurance regarding Strata Service Solutions Ltd from Strata’s internal auditors on an annual basis.	2023/24	The Council have responded to this recommendation and stated future arrangements will accommodate our recommendation.	Recommendation closed.	None needed.

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

Page 82

	Prior Recommendation	Raised	Progress	Current position	Further action
IR13	<p>The Council should ensure that for all financial monitoring reports ensure:</p> <ul style="list-style-type: none"> •all variances are fully explained; •explanations are provided for any significant variations from one quarter to the next; and •any lessons learned/impacts for future years' budgets are identified, explained and acted upon. 	2023/24	The Council have responded to this recommendation, and we consider financial monitoring report are suitably detailed.	Recommendation closed.	None needed.
IR14	<p>The Council should increase the Audit and Governance Committee's effectiveness by:</p> <ul style="list-style-type: none"> •monitoring the committee's effectiveness through undertaking a self-assessment and taking action based on the outcome of the self-assessment; and •appointing two co-opted independent members to provide appropriate technical expertise, which complements existing membership. 	2023/24	We have seen no evidence of a recent self assessment and currently no independent members service on the Audit and Governance Committee.	Limited progress made.	We have restated and reworded this recommendation.

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

Page 83

	Prior Recommendation	Raised	Progress	Current position	Further action
IR15	The Council should ensure that data relating to any new corporate KPIs meets the requirements of the Council's new data strategy and in particular regarding data governance and data quality.	2023/24	The Council has satisfied this recommendation.	Recommendation closed.	None needed.
IR16	The Council should track progress with the Partnerships Internal Audit report recommendations through its action tracker.	2023/24	The Council has satisfied this recommendation.	Recommendation closed.	None needed.
IR17	The Council should link each partnership in its partnership register to make clear to which corporate objective(s) and new corporate KPI(s) it contributes.	2023/24	The Council has satisfied this recommendation.	Recommendation closed.	None needed.



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REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: **27th November 2025**

Report of: **Head of Internal Audit, Assistant Director SWAP**

Title: **INTERNAL AUDIT PROGRESS REPORT FOR THE YEAR ENDED 31 MARCH 2026 – QUARTER 2**

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 To report on 2025/26 internal audit work during quarter 2. To advise on overall progress against the Audit Plan and to highlight areas where improvements in governance, risk or internal controls have been agreed.

2. Recommendations:

2.1 That the Internal Audit Progress Report for quarter 2 be noted.

3. Reasons for the recommendation:

3.1 One of the roles of this committee is to review delivery of the internal audit plan as well as the main issues arising and seek assurance from management that action has been taken, where necessary.

4. What are the resource implications including non financial resources

4.1 None

5. Section 151 Officer comments:

5.1 Although only 36% of the plan is complete or in progress, it is positive to note that SWAP still anticipate completing the audit plan this financial year.

6. What are the legal aspects?

6.1 Internal Audit is a statutory requirement in accordance with the broad requirements of section 151 of the Local Government Act 1972 which requires that, inter alia, '...every local authority shall make arrangements for the proper administration of their financial affairs'. More particularly, the role of Internal Audit is set out in the Accounts and Audit (England) Regulations 2015. Regulation 3 requires a local authority to have '...a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk'. Regulation 5 sets out the provisions concerning the role of Internal Audit and states 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 public sector internal auditing standards or guidance'.

7. Monitoring Officer's comments:

7.1 Internal audit is an essential function '...providing risk-based and objective assurance, advice and insight' as stated in the Institute for Internal Auditors' 2017 Mission Statement.

The Mission Statement goes provides a definition of the role of internal audit and states that the fundamental purpose, nature and scope of internal audit is to provide '...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 evaluating and improving the effectiveness of risk management, control and governance processes'.

By working with services across the Council, Internal Audit works to ensure that Council objectives are met and that risks are well managed.

8. Report details:

8.1 This Committee receives quarterly internal audit progress reports. This allows progress against the agreed plan and the main issues arising to be monitored, seeking assurance from management that action has been taken, where necessary. The 2025/26 Audit Plan was approved at this Committee on 19th March 2025. The purpose of internal audit is to provide an independent, objective assurance and consulting service designed to add value and improve the Council's operations. The mission of internal audit is to enhance and protect organisational value by providing risk based and objective assurance, advice, and insight. The internal audit Service helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

9. How does the decision contribute to the Council's Corporate Plan?

9.1 Good governance contributes to the Council's purpose of a "Well Run Council".

10. What risks are there and how can they be reduced?

N/A

11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 The report is for information only.

12. Carbon Footprint (Environmental) Implications:

12.1 No direct carbon/environmental impacts arising from the recommendations.

13. Are there any other options?

N/A

Author: Lisa Fryer, Assistant Director SWAP

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Contact for enquires:
Democratic Services (Committees)
Room 2.35
01392 265354

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Exeter City Council

Report of Internal Audit Activity

Progress Report – Quarter 2 2025/26

Internal Audit –Quarter 2 2025/26: ‘At a Glance’

The Headlines



Reviews completed in the period

- 25/26 – one report finalised



Progress to date

- 36% of the plan is complete or in progress. Three initial meetings are scheduled for November and we remain on track to deliver the plan agreed.



High Organisational Risk

- None reported in the period



Action plan monitoring

- The council has 96 active agreed actions, 30 are overdue. A further 24 have been self assessed as complete and 43 closed in the year.



Plan changes in the period

The following audits have been deferred in the period:

- Risk Management
- Medium Term Financial Planning
- Social housing decarbonisation grant

Action tracking has identified that a follow-up of the limited assurance council tax arrears audit is able to be scheduled and this review has been added to the plan.



Enhancements made to our internal audit process throughout the year

A monitoring system for actions agreed within audit reports is now operational. Automatic reminders are now being issued monthly to alert managers of actions overdue and close to being overdue.

Internal Audit Assurance Work 2025/26

	Q2	YTD
Substantial	0	0
Reasonable	0	1
Limited	1	3
No Assurance	0	0
Follow-up	0	0
Grants	0	0
Advisory & Other	0	0
Total	3	3

Internal Audit Agreed Actions 2025/26

	Q2	YTD
Priority 1	0	4
Priority 2	3	10
Priority 3	6	23
Total	9	37

Summary

As part of our rolling plan reports, we will detail progress against the approved plan and any updates in scope and coverage.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating significant risks previously identified through audit activity.

The contacts at SWAP in connection with this report are:

Lisa Fryer
Assistant Director
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Rich Clarke
Chief Executive
rich.clarke@swapaudit.co.uk



Introduction

The Audit and Governance Committee approved the 2025/26 Internal Audit Plan in March 2025. This report sets out our progress against that plan. **Appendix E** summarises our progress and includes new audits that we have added to the plan.

Each completed assignment includes its respective assurance opinion rating together with the number and relative ranking of actions we have agreed with management.

We have applied the assurance opinion ratings in accordance with the SWAP Audit Framework Definitions detailed in **Appendix A**.

To assist the Committee in its important monitoring and scrutiny role, **Appendix B** summarises our key findings from No and Limited assurance opinion audits.

A follow-up review is performed in respect of all limited assurance opinion audits where there is assessed to be a medium or high organisational risk. This provides further assurance, in addition to our action tracking, that recommendations have been implemented to reduce areas of risk identified. No follow-up reviews were completed in the period.

It is important that the council implements agreed actions to address the control weaknesses set out in our reports. To give the Audit and Governance Committee a level of assurance that this is happening, we conduct regular action tracking of all agreed actions. The council's current position is summarised in **Appendix D**.

In circumstances where findings have been identified which are considered to represent high corporate risks to the Council, due to their importance, these issues are separately summarised. No significant corporate risks were reported in the period.

Internal Audit Progress Update

Our audit plan coverage assessment is designed to provide an indication of whether we have provided sufficient, independent assurance to monitor the organisation's risk profile effectively.

The internal audit plan agreed is based on our risk-based approach to help ensure that resources are focused where internal audit can offer the most value and insight. A key source of information is the Council's strategic risk register.



Internal Audit Plan coverage of strategic risks

This table maps our completed and planned audits against the council's strategic risks. As the year builds and more work is completed, coverage across key risk areas will increase. "Planned Coverage" includes audits that have not yet concluded or have not been started. Where a strategic risk is not linked to a specific audit, it may still be covered through the action tracking process (see **Appendix D**).

No	Strategic Risk	Risk Score	Completed Coverage	Planned Coverage
1	Delivering the key challenges in the Net Zero Carbon City section of the Corporate Plan	High		Planning - biodiversity net gain
2	Making progress towards a Healthy and Active City	Medium		Leisure Services
3	Adapting the council workforce to ensure appropriate skills and experience (future proof workforce)	Medium		Health and Safety at work
4	Maintaining the Financial Stability of the Council	Medium	Payroll – self service	Medium term financial plan, fraud risk assessment, debt management, creditors follow-up
5	Maintaining the Council's Property and Infrastructure Assets	High		Health & Safety of property portfolio, maintenance & capital programme of works follow-up
6	Delivering Housing and Building Great Neighbourhoods and Communities	High	Community safety/anti social behaviour	Private sector housing, social housing decarbonisation grant, housing rents and arrears, CIL governance follow-up
7	Maintaining a thriving Culture & Heritage Sector	Low		
8	Delivering against the key challenges in the 'Prosperous Local Economy' section of the Corporate Plan	Medium		Waste management
9	Progressing the design and delivery of a corporate Customer & Digital Strategy	Medium	Information governance	Largely covered by Strata and audited by DAP

Internal Audit Progress Update

We regularly monitor the council's implementation of agreed management actions.



SWAP Monitoring

Action Tracking

It is important that the council implements agreed actions to address the issues set out in our reports. To give the Audit and Governance Committee a level of assurance that this is happening, we conduct regular action tracking. We recognise that it can take longer to implement actions than planned, and sometimes target timescales need changing. The council's current position is summarised in **Appendix D**.

The council has 96 active agreed actions, 30 of which are overdue. A further 24 have been self assessed as complete and 43 closed in total in the year. A summary of the status of open actions by audit is provided **at Appendix D**.

To give further assurance on whether the council has completed the actions agreed, we conduct follow-up audits for all higher risk work. Follow-up audits currently planned can be found within **Appendix E**. Further follow-ups will be scheduled once our monitoring work indicates that all actions relating to an audit have been completed.

Internal Audit Progress Update

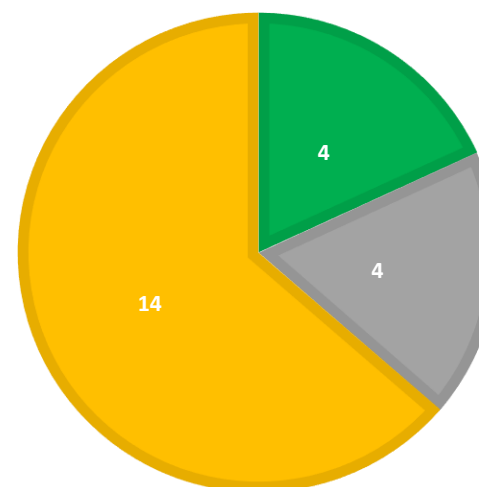
We need adequate audit coverage to provide our annual opinion.



Year to Date Progress

2025/26 PLAN PROGRESS

■ Complete ■ In progress ■ Not started



36% of the plan has now been completed or is in progress.

Appendix A: SWAP Audit Framework and Definitions

Audit Assurance Definitions

No	The review identified fundamental gaps, weaknesses, or non-compliance, which require immediate action. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	The review identified significant gaps, weaknesses, or instances of non-compliance. The system of governance, risk management and control requires improvement to effectively manage risks to the achievement of objectives in the area audited.
Reasonable	The review highlighted a generally sound system of governance, risk management and control in place. We identified some issues, non-compliance or scope for improvement which may put at risk the achievement of objectives in the area audited.
Substantial	The review confirmed a sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Organisational Risk Assessment Definitions

Assessment	Organisational Risk & Reporting Implications
High	Our audit work includes areas that we consider have a high organisational risk and potential significant impact. Both senior management and the Audit Committee should consider key audit conclusions and resulting outcomes.
Medium	Our audit work includes areas that we consider have a medium organisational risk and potential impact. The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.
Low	Our audit work includes areas that we consider have a medium organisational risk and potential impact. We believe the key audit conclusions and any resulting outcomes still merit attention but could be addressed by service management in their area of responsibility.

Categorisation of Actions

In addition to the organisational risk assessment it is important to know how important the individual management actions are. Each action has been given a priority rating with the following definitions:

Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Appendix C: Follow-up Reviews

Community Safety and Antisocial Behaviour – Final Report – September 2025



Audit Objective

To provide assurance that the council is addressing community safety, antisocial behaviour and is operating within its statutory powers.

Executive Summary



Assurance Opinion

The review identified significant gaps, weaknesses, or instances of non-compliance. The system of governance, risk management, and control requires improvement to effectively manage risks to the achievement of objectives.

Management Actions

Priority 1	0
Priority 2	3
Priority 3	6
Total	9

Organisational Risk Assessment

Low

Our audit work includes areas that we consider have a low organisational risk and potential impact.

We believe the key audit conclusions and any resulting outcomes still merit attention, but could be addressed by service management in their area of responsibility.

Key Conclusions



The council does not have a Community Safety Team Policy that covers the work undertaken by the Community Safety team and the powers available to them to tackle antisocial behaviour. This absence may create ambiguity regarding the officers' authority and the application of available powers to address antisocial behaviour effectively within the PSPO area.



Some of the subgroups do not clearly align with the priorities of the Safer Exeter Community Safety Partnership. This misalignment may result in inefficient resource allocation and reduced effectiveness in addressing key community safety objectives. In addition, not all of the terms of reference for the subgroups clearly set out their objectives and scope.



The council does not have a data sharing agreement with the other parties within the Safer Exeter Community Safety Partnership, or with other internal services. This creates a risk of non-compliance with data protection regulations and inconsistencies in the handling, sharing, and safeguarding of sensitive information among the involved parties.



Officers within the community safety team are not consistently completing all fields in the daily occurrence book, which serves as a critical record of antisocial behaviour and an evidence source for police use. In addition, its current format lacks standardisation and consistency.



The council has provided, or facilitated, suitable training and guidance for the community safety officers to enable them to effectively carry out their responsibilities. The community safety officers make effective use of their CSAS powers to tackle antisocial behaviour.

Audit Scope

We focused the audit review on the activities undertaken by the community safety team, the records kept of the daily activities undertaken within the city centre in response to antisocial behaviour, and the enforcement powers available to the team. The scope also included both internal and external partnership working arrangements to tackle antisocial behaviour.

We conducted a survey with the four community safety officers to confirm that the officers have a reasonable understanding of their role, as well as the agreed processes and enforcement actions they can take in response to antisocial behaviour.

Our work was limited to the activities undertaken within the Safer Exeter Community Safety Partnership to tackle antisocial behaviour and did not include those undertaken as part of the wider Safer Devon Community Safety Partnership.

Rationale for Low Organisational Risk Assessment

While the audit has resulted in a limited assurance opinion, the overall organisational risk has been assessed as low due to the nature and scope of the issues identified. The findings primarily relate to operational inefficiencies, documentation gaps, and governance improvements rather than systemic failures or high-impact risks.

Appendix C: Follow-up Reviews

There were no follow-up reviews completed in the period.

Appendix D: Monitoring of Agreed Actions

Open Management Actions

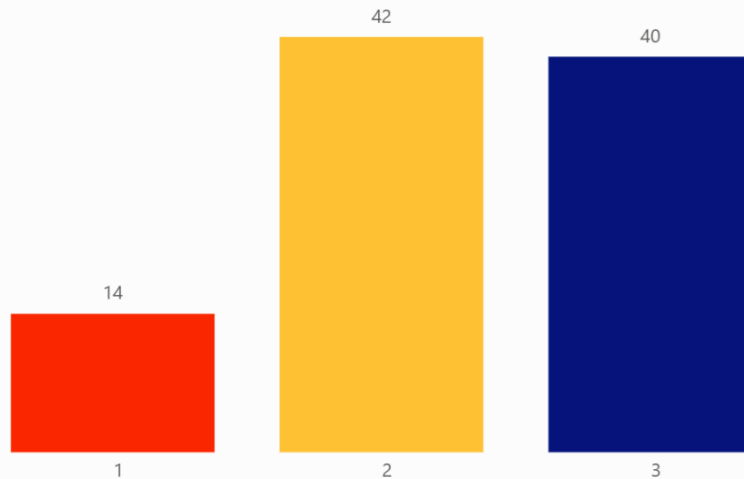
Includes all open/self assessed as complete actions and actions closed since 1st April 2025



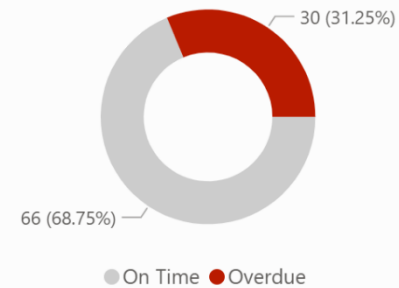
Actions by Status



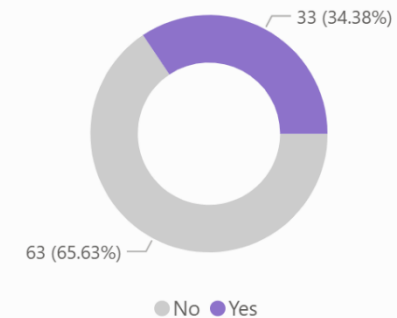
Open Actions by Priority



Overdue Open Actions



Open Actions with Extended Dates



Appendix D: Monitoring of Agreed Actions

Status of Open Actions

Name of Audit with Open Actions	Opinion	Year	Open Actions		Self Assessed as Complete	Closed	Total
			On Time	Overdue			
Procurement	Limited	2024/25	6				6
Creditors - Payments	Limited	2024/25	1		4	2	7
Maintenance & Capital Programme of Works	Limited	2024/25	2	3	1	1	7
Housing Benefit Subsidy	Reasonable	2024/25	1			1	2
Council Tax Arrears Recovery	Limited	2024/25	1		2	1	4
Sundry Debtors	Advisory	2024/25	2		4	2	8
Waterways	Reasonable	2024/25	0	2		4	6
Housing - Temporary Accommodation	Limited	2024/25	8	1	3	1	13
CIL Governance	Limited	2024/25	0	7			7
Communications Strategy	Limited	2024/25	0	7	1	2	10
Payroll - Employee Self-Service	Limited	2024/25	12				12
Corporate Governance - Action Tracking	Limited	2023/24	0		4	6	10
Sundry Debtors (23/24) - Raising Invoices	Limited	2024/25	2			3	5
HRA - Repairs and Maintenance	Limited	2024/25	0	3	3		6
S106 Governance	Limited	2024/25	6	3			9
Occupational Health Services	Limited	2024/25	3		1	13	17
Ethical Governance	Reasonable	2025/26	8				8
Emergency Planning	Limited	2025/26	0		1		1
Community Safety and Anti-Social Behaviour (ASB)	Limited	2025/26	9				9
Information Governance	Limited	2025/26	5	4			9
		Total	66	30	24	36	156

Appendix E: Summary of Internal Audit Work

Audit Type	Audit	Status	Assurance Opinion	Total Actions	1 = Major	↔	3 = Medium	Organisational Risk
					Recommendation			
					1	2	3	
Complete								
Assurance	Payroll – Self Service (24/25 audit completed in 25/26)	Final	Limited	12	0	3	9	Low
Assurance	Information Governance	Final	Limited	9	4	3	2	Medium
Assurance	Ethical Governance	Final	Reasonable	7	0	1	6	Low
Assurance	Community Safety/Anti Social Behaviour	Final	Limited	9	0	3	6	Low
Draft								
Assurance	Emergency Planning	Draft						
In Progress								
Assurance	Planning – Biodiversity net gain	In progress						
Follow-up	NEW Council Tax Arrears	In progress						
Assurance	Leisure Services	Scoping						
Not Started								
Assurance	Private Sector Housing	Not Started	Initial Meeting 5/11/2025					
Assurance	Contract Register	Not Started	Initial Meeting 11/11/2025					
Assurance	NEW Health and Safety at Work (deferred from 24/25)	Not Started	Initial Meeting 18/11/2025					
Assurance	Fraud Risk Assessment	Not Started						
Assurance	Housing Rents & Arrears	Not Started						

Appendix E: Summary of Internal Audit Work

Audit Type	Audit	Status	Assurance Opinion	Total Actions	1 = Major	↔	3 = Medium	Organisational Risk
					Recommendation			
					1	2	3	
Assurance	Debt Management	Not Started						
Assurance	Waste Management	Not Started						
Assurance	NEW Fraud Baseline Assessment (deferred from 24/25)	Not Started						
Assurance	Health & Safety of Property Portfolio (including housing)	Not Started	Request to move from Q2 to Q4					
Follow-up	Corporate Governance	Not Started						
Follow-up	Maintenance & Capital Programme of Works	Not Started						
Follow-up	CIL Governance	Not Started						
Follow-up	Creditors	Not Started						
Deferred								
Follow-up	Fraud Baseline Assessment	Deferred	Deferred to 26/27 as full audit deferred to 25/26					
Assurance	Social Housing Decarbonisation Grant	Deferred	Deferred as audit requirement is Q1 26/27					
Assurance	Risk Management	Deferred	Request to defer to 26/27 as update to approach remains ongoing					
Assurance	Medium Term Financial Plan	Deferred	Deferred to 26/27 as looked at by Grant Thornton as part of Value for Money work					

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REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 27 November 2025

Report of: Strategic Director Corporate Resources

Title: Limited Assurance Audit Reports

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

- 1.1 This report presents the recommendations and actions plans in relation to recent limited assurance audits and progress being made.

2. Recommendations:

- 2.1 That the Audit and Governance Committee note the content of the audit report contained at Appendix 1 and the actions that will be taken in response to the recommendations.

3. Reasons for the recommendation:

- 3.1 To provide assurance to the Audit and Governance Committee that the council has plans to address audits with limited assurance and that progress is being made.

4. What are the resource implications including non-financial resources?

- 4.1 The Strategic Management Board has taken ownership of the recommendations contained in audits with limited assurances. Delivery of the agreed actions will result in resources implications, but this will be managed through Directorate work plans.

5. Section 151 Officer Comments:

- 5.1 Members should note the progress that has been made or actions agreed in relation to limited assurance audits. Progress will continue to be reported as the Council seeks to strengthen its Corporate Governance processes.

6. What are the legal aspects?

- 6.1 The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This is known as the Best Value duty. The duty requires the Council to make arrangements that ensure services are delivered in a cost-effective manner while

meeting the needs of the community. In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk. The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of Delivering Good Governance in Local Government (CIPFA/Solace 2016).

7. Monitoring Officer's Comments:

This report sets out the actions that will be taken in response to the recommendations of recent limited assurance audits. It is important that implementation of agreed action plans are closely monitored and reported back to Members to provide reassurance that improvements are being made.

8. Report Details:

8.1 Limited Assurance Definition

SWAP's definition of limited audit assurance is where the review identified significant gaps, weaknesses or instances of non-compliance. The system of governance, risk management and control require improvement to effectively manage risks to the achievement of objectives in the area audited.

8.2 Since the last progress report was presented to this Committee in September 2025, SWAP have finalised a further audit with limited assurance, as follows:

- Community Safety and Antisocial Behaviour

8.3 Management have agreed an action plan for each of the findings of the audit, please refer to Appendix 1.

8.4 With regards to progress in relation to limited assurance audits reported to this committee previously, the agreed action plans will be monitored by SWAP and progress reported to management and to this committee as part of their regular update reports.

8.5 Community Safety and Antisocial Behaviour

8.6 This particular audit was undertaken as one of the key priorities of the City Council's 2025-2028 Corporate Plan, under 'People', to address anti-social behaviour through the Exeter Community Safety Partnership. It was also to give assurance after a restructuring of the Senior Management team, with the Community Safety Partnership and the Community Safety Team moving from Environmental Health to City Centre & Net Zero. This audit did not cover ASB work overseen by Environmental Health, such as neighbourly disputes. The audit objective was: *"To provide assurance that the council is addressing community safety, antisocial behaviour and is operating within its statutory powers."*

8.7 Regular catch ups were held between the Head of Service City Centre & Net Zero and with SWAP to discuss findings. SWAP conducted a survey with the Community Safety Team to understand their role, responsibilities as well as the processes and enforcement actions they can take in response to antisocial behaviour in the City Centre.

8.8 As part of SWAP's investigations, they identified a number of areas of good practice and some areas for improvement around process and policy. Actions have been programmed in across the City Centre & Net Zero service, with some actions already completed (action 6, 7 and 9).

8.9 Actions related to the Community Safety Partnership will be implemented as part of a wider review of the priorities and Operational Sub Working Groups of the Partnership, due to be completed January 2026.

9. How does the decision contribute to the Council's Corporate Plan?

9.1 Remediation of audits with limited assurance contributes to the Council's purposes of a 'Well Run Council'.

10. What risks are there and how can they be reduced?

10.1 Audits with limited assurance indicate areas considered to present an organisation risk and potential significant impact. Management agrees action plans with the auditors to mitigate and reduce risks.

11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because: because

11.4.1 The report is for information only.

12. Carbon Footprint (Environmental) Implications:

12.1 No direct carbon/environmental impacts arising from the recommendations.

13. Are there any other options?

Not applicable

Strategic Director Corporate Resources

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:

None

Contact for enquiries:

Democratic Services (Committees)

Room 2.3

(01392) 265275

Audit Findings & Management Action Plan

Finding 1

The council does not have a Community Safety Team Policy that covers the work undertaken by the Community Safety team and the powers available to them to tackle antisocial behaviour.

The council lacks an up-to-date Community Safety Team Policy to guide the responsibilities and actions of the community safety officers, and set out their role, their function, the mandatory training required and their powers. This absence may create ambiguity regarding the officers' authority and the application of available powers to address antisocial behaviour effectively within the Public Space Protection Order (PSPO) area.

The council has an Environmental Health and Community Safety Enforcement Policy that was produced in 2020. The council has been trialling the community safety team for 12 months and they have been working under this policy; however, this was created prior to the recent restructure and does not include the powers granted to the council under the Community Safety Accreditation Scheme (CSAS).

Action

Develop and implement a Community Safety Team Policy that clearly defines the mandatory training required, as well as the responsibilities, powers, and actions available to community safety officers, including those granted under CSAS accreditation.

Provide training to the community safety officers to ensure consistent understanding and application of the policy.

Priority	2	SWAP Reference	AP#7288
Responsible Officer	Control Centre Operations Manager		
Timescale	28 th November 2025		

Finding 2

Some of the subgroups do not clearly align with the priorities of the Community Safety Partnership, Safer Exeter.

The current subgroups operating under Safer Exeter, the Community Safety Partnership, lack clear alignment with its established priorities. This misalignment may result in inefficient resource allocation and reduced effectiveness in addressing key community safety objectives.

Action

Conduct a comprehensive review of the existing subgroups to evaluate their objectives and activities against the priorities of Safer Exeter.

Realign or restructure subgroups to ensure clear focus on priority areas.

Establish a regular review process to monitor alignment and effectiveness in achieving community safety objectives.

Priority	2	SWAP Reference	AP#7237
Responsible Officer	Head of Service – City Centre & Net Zero		
Timescale	30 th January 2026		



Finding 3

The council does not have a data sharing agreement with the other parties within the Safer Exeter Community Safety Partnership.

The council is participating in the Safer Exeter Community Safety Partnership without a formal data sharing agreement in place. This creates a risk of non-compliance with data protection regulations and inconsistencies in the handling, sharing, and safeguarding of sensitive information among the involved parties.

Action

Draft and implement a formal data sharing agreement outlining protocols for handling, sharing, and safeguarding sensitive information. Ensure all parties within the partnership review and agree to the terms.

This action will be undertaken as part a corporate initiative on managing data.

Priority	2	SWAP Reference	AP#7309
Responsible Officer	Head of Service - City Centre & Net Zero Head of Service, Digital and Data		
Timescale	28 th November 2025		

Finding 4

Not all of the terms of reference for the Safer Exeter Community Safety Partnership subgroups clearly set out their objectives and scope.

Not all of the Safer Exeter subgroups have clearly defined terms of reference outlining their objectives and scope. This creates ambiguity regarding their roles, responsibilities, and alignment with the priorities of the Community Safety Partnership, increasing the risk of inefficiencies and misaligned activities.

Action

Develop and implement standardised terms of reference for all subgroups, clearly defining their objectives, scope, roles, and responsibilities. Align these terms with the priorities of the Community Safety Partnership to ensure consistency and reduce inefficiencies.

Priority	3	SWAP Reference	AP#7284
Responsible Officer	Head of Service – City Centre & Net Zero		
Timescale	30 th January 2026		

Finding 5

The council does not have a privacy notice for activities undertaken by the community safety team.

The council lacks a documented privacy notice specific to the activities undertaken by the community safety team, potentially leading to noncompliance with data protection regulations and a lack of transparency in how personal data is collected, used, and stored for these activities.

Action

Develop and publish a privacy notice specific to the activities undertaken by the community safety team that outlines the collection, use, storage, and sharing of personal data.

Ensure the notice complies with data protection regulations and promote transparency by making it easily accessible to the public.

Regularly review and update the notice to address regulatory changes or operational updates.

This action will be undertaken as part a corporate initiative on managing data.

Priority	3	SWAP Reference	AP#7200
Responsible Officer	Control Centre Operations Manager Head of Service, Digital and Data		
Timescale	28 th November 2025		



Finding 6

The officers within the community safety team are failing to fully complete all fields of the daily occurrence book which records instances of antisocial behaviour, and which is used as an evidence base for the police. In addition, there are discrepancies with the format used for the dispersal order reference.

Officers within the community safety team are not consistently completing all fields in the daily occurrence book, which serves as a critical record of antisocial behaviour and an evidence source for police use. In addition, there are discrepancies with the format used for the dispersal reference. This inconsistency undermines the accuracy and reliability of the data, potentially impacting enforcement actions and community safety management.

Action

Remind the community safety officers of the importance of accurately completing all fields in the daily occurrence book, including the dispersal reference.

Implement periodic reviews to ensure compliance and address any recurring gaps.

Priority	3	SWAP Reference	AP#7247
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Responsible Officer	Control Centre Operations Manager
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Timescale	28 th November 2025
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Finding 7

Further improvements could be made to the format of the daily occurrence book used to record instances of antisocial behaviour, within the community safety team.

The current format of the daily occurrence book used to document antisocial behaviour lacks standardisation and consistency. This reduces the effectiveness of records for analysis, trend identification, and follow-up actions, potentially impacting the ability to address recurring issues.

Improvements could be made by adding additional columns to record the names and addresses of individuals where the community safety officers have exercised their CSAS powers. In addition, drop down menus could be established for some columns to assist with data consistency.

Action

Update the daily occurrence book to include standardised fields that capture key information, such as names, addresses, and actions taken under CSAS powers. Incorporate dropdown menus for specific columns to ensure data consistency and streamline record-keeping processes.

Inform staff of the updated format to promote the accurate and uniform input of records.

Priority	3	SWAP Reference	AP#7248
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Responsible Officer	Control Centre Operations Manager
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Timescale	28 th November 2025
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Finding 8

The community safety team does not have a data sharing agreement to share personal or sensitive data with the other internal services.

While not mandated by UK GDPR, the Information Commissioner's Office (ICO) recommends that UK local authorities have a data sharing agreement when sharing data internally between services. This agreement helps ensure clarity, consistency, and accountability in how data is handled.

The community safety team lacks a formal data-sharing agreement to govern the exchange of personal or sensitive information with other internal departments. This absence increases the risk of non-compliance with data protection regulations and potential misuse or unauthorised access to sensitive data.

Action

Draft and implement a formal data-sharing agreement in alignment with ICO recommendations to establish clear protocols for the exchange of personal or sensitive data. Provide training to staff on the agreement's provisions to ensure compliance and accountability. Conduct periodic reviews of data-sharing practices to identify and address any gaps or risks.

This action will be undertaken as part a corporate initiative on managing data.

Priority	3	SWAP Reference	AP#7308
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Responsible Officer	Control Centre Operations Manager Head of Service, Digital and Data
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Timescale	28 th November 2025
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Finding 9

The council's retention and disposal policy does not include the role played by Safer Exeter, or the community safety team and the records held by this service.

The council's retention and disposal policy does not address the responsibilities of Safer Exeter or the community safety team, nor does it account for the management of records maintained by this service. This omission creates the risk of non-compliance with record-keeping and data retention standards for these areas.

Action

Undertake a review of the retention and disposal policy to explicitly include the roles and responsibilities of Safer Exeter and the community safety team. Ensure the policy addresses the management of records held by these services to align with data retention standards.

Provide training to relevant personnel on the revised policy to ensure consistent application.

The Head of Service - City Centre & Net Zero has contacted the policy team with the amendments that need to be made.

This action will be undertaken as part a corporate initiative on managing data.

Priority	3	SWAP Reference	AP#7313
Responsible Officer	Head of Service - City Centre & Net Zero Head of Service, Digital and Data		
Timescale	19 th December 2025		

Internal Audit

Annual Audit Report 2024-25

Strata Services Solutions - ICT
Partnership organisation of Exeter,
East Devon and Teignbridge

Page 111

November 2025

Official



Tony Rose
Head of Devon Assurance Partnership

Jo McCormick
Deputy Head of Devon Assurance
Partnership

Darren Roberts
Assurance Manager

Agenda Item 9

Introduction

Devon Assurance Partnership (DAP) has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid-Devon, South Hams & West Devon, Torridge, North Devon councils and Devon & Somerset Fire & Rescue Service and we aim to be recognised as a high quality public sector service provider.

This report provides a summary of the performance against the Internal Audit plan for the 2024/25 financial year, highlighting the key areas of work undertaken and summarising our main findings and recommendations aimed at improving controls, and provides our overall Annual Assurance Opinion on the overall adequacy and effectiveness of the Authority's Internal Control Environment.

The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to prepare a report providing an opinion at the end of each year that can be used by the organisation to inform its annual governance statement. DAP was externally assessed in December 2024 against the PSIAS framework and confirmed to be conforming with the requirements of the PSIAS. These standards have been revised and renamed the Global Internal Audit Standards (GIAS). They take effect for the UK public Sector as of 1st April 2025 and there are three key aspects:

- [The GIAS](#);
- [The CIPFA Code on the Governance of Internal Audit](#); and
- [The CIPFA Application Note for the GIAS in the Public Sector](#).

These documents combine to set out the framework for Internal Audit that must be followed as per Section 5 of the Accounts and Audit Regulations 2015. During 2025/26 DAP will be undertaking a GAP Analysis of existing processes in relation to the above for each DAP Partner. The outcomes will result in action plans that will be worked through with the Partners to ensure compliance, this is likely to require actions from both DAP and Partners to ensure compliance with the revised governance arrangements and other applicable activities. Further information will be provided in due course.

Expectations of the Audit Committee from this report are to consider

- The opinion statement within this report.
- The basis of our opinion and the completion of audit work against the plan
- The scope and ability of audit to complete the audit work.
- Audit coverage and findings provided.
- The overall performance and customer satisfaction on audit delivery.

In review of these the Audit Committee are required to consider the assurance provided alongside that of Corporate Risk Management and satisfy themselves from this assurance that the internal control framework continues to be maintained at an adequate level to mitigate risks and inform the Executive for governance requirements.

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5 – Basis for Opinion	10

Overall Opinion Statement

Based on work performed to date during 2024-25, our experience from previous years, the Head of Internal Audit's Opinion on the adequacy and effectiveness of internal control framework is one of **"Reasonable Assurance"**.

Our audit planning process is both risk based and agile, as such our resources, and consequently our annual report will inevitably focus upon higher risk areas.

Strata Service Solutions has three founding partners (The Partners), East Devon District Council (EDDC), Exeter City Council (ECC) and Teignbridge District Council (TDC). At the time, the creation of Strata in 2014 represented an innovative approach.

The approach has proved successful as Strata has delivered in excess of one million pounds in cashable savings. Of significant importance moving forward is that it positioned the Partners well as many Councils around the country increasingly look to enter similar partnership arrangements.

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In carrying out reviews, Internal Audit assesses whether key and other controls are operating satisfactorily and an opinion on the adequacy of controls is provided to management as part of the audit report. All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified. Implementation of action plans rests with management, and these are reviewed during subsequent audits or as part of a specific follow-up.

Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Audit Coverage and performance against plan

Over the course of 2024/25 we have carried out two reviews as agreed. ICT Cyber Event and Service Design & Operation Efficiency both received a reasonable assurance opinion. Please refer to Appendix 1 for further information on the work performed.

There has been a growing trend in the sector towards more flexible audit plans to enable internal audit to be more responsive to changing risks, in turn maximising resource focus to clients' needs as and when needed – Agile Auditing.

This report provides a summary of the key issues reported that are being addressed by management.

It should also be noted that some audits required a richer mix of staff resource due to the complexity / sensitivity of the area under review.

Appendix 1 – Summary of reports and audit reports and findings for 2024/25

Strata	
Risk Area / Audit Entity	Audit Report
	Residual Risk / Audit Comment
Service Design & Operational Efficiency Reasonable Assurance Status: Final	<p>A Reasonable Assurance opinion has been provided on the implementation of the service design model used within Strata to ensure that the needs / requirements of the Partners are considered / met when designing their services. Additionally, the formalisation of the service design process over the past 12- 18 months shows continued and committed development to meets Strata's overall mission and objectives.</p> <p><i>Summary of findings:</i></p> <ul style="list-style-type: none"> • There is an adequate governance framework to ensure the correct level of involvement when creating and reviewing service offerings. • There is a feedback loop from the outcomes of projects to inform future service designs / changes. Furthermore, Strata obtains feedback from the Partners and recognises areas for improvement to ensure that services meet requirements and build this into their business plan. • Services are accurately documented and communicated to the Partners via a Service Model document which outlines the standard ICT service model from Strata. • Service Level Agreements (SLAs) for incidents and service requests are clearly defined and agreed with the Partners. The SLAs are sufficiently monitored and used to inform future capacity and design decisions. Evidence was obtained of these decision (i.e., allocation of resource between business-as-usual and project work) being informed by the Partners. • There are risk management processes (operational, project and strategic) that feeds into service design. <p><i>Areas for consideration:</i></p> <ul style="list-style-type: none"> • There are no active security boards / forums that are attended by Strata & an appropriate representative for each of the Partners. While Strata plays an important role in designing and delivering secure services, each Council ultimately retains accountability for managing its own information security and strategic risk. A joint mechanism / security function will assist the Council is setting risk appetite, ensuring compliance, and managing strategic security risks, whilst supporting Strata in designing secure services, and implementing controls aligned with the Councils' requirements. • Although capacity (e.g., resources allocated during the design process) is managed through a resource calendar, there is an absence of standardised capacity planning frameworks in Service Design. • Project prioritisation is managed operationally through a Portfolio Board, however, there is no prioritisation framework / criteria to guide the ranking / tiering of projects to ensure alignment with Council's strategic requirements, and to support agile and efficient capacity planning in Strata. The overall prioritisation is the responsibility of the Councils and that whilst

Strata can and does work with the Councils to apply a priority value, the councils must steer the overall programme of work based on their strategic view.

Overall, Strata have made improvements in the formalisation of the service design model used, which ensures appropriate levels of governance and the correct levels of engagement with partners to ensure that the services Strata provide are designed to meet the Partners strategic objectives / requirements. Although we have provided a reasonable level of assurance for the Service Design approach, it is not possible to guarantee beyond doubt that an assurance exercise has discovered all strengths or weaknesses within an organisation, as such the observations made in Appendix A should always be supplemented by any additional local knowledge.

ICT Cyber Event

Reasonable Assurance

The current global risk position shows an elevated level of likelihood that an IT loss event (Cyber Attack) will happen, be that due to a cyber-attack, hardware failure or other triggering action/activity. According to Infosecurity Europe, “the UK public sector has been increasingly targeted by cybercriminals in 2024, often facing attacks like ransomware, phishing, and distributed denial-of-service (DDoS) attacks.” Such attacks not only target the vast personal and financial data held by public entities but also disrupt essential services, posing serious risks to public safety and national security. Attackers, including state-sponsored groups and hacktivists, see the public sector as a valuable target for both financial gain and political leverage. Budget constraints further exacerbate these vulnerabilities, limiting cybersecurity investments and leaving systems outdated.

Devon Assurance Partnership (DAP) facilitated a theoretical ICT Cyber loss workshop involving STRATA and its Partners on 7th January 2025. The aim of the exercise was to consider preparedness, share expenses and develop key actions to increase the mitigation for such an event. The exercise was carried out successfully and those present were fully engaged and open in understanding the impact of the theoretical event, the current estimated position of preparedness and the most relevant actions to increase the mitigations for an ICT Loss. There were good levels of experience, and all provided views and opinions leading to comprehensive discussions. There was collective agreement on the need to take further action and these have outlined in the full report presented to Strata.

Appendix 2 - Professional Standards and Customer Service

Conformance with Public Sector Internal Audit Standards (PSIAS) in 2024/25

PSIAS Conformance - Devon Assurance Partnership conformed to the requirements of the PSIAS for its internal audit activity for the period related to this report and assurance opinion. The purpose, authority and responsibility of the Internal Audit activity is defined in our Internal Audit Charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our Internal Audit Charter was approved by senior management and the Audit Committee in 2024. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

Quality Assessment - The Head of Devon Assurance Partnership maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement are supported by a development programme.

External Assessment - The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

An external assessment must be conducted at least once every five years by a suitably qualified, independent assessor. For DAP this was last conducted at the end of 2024 by an ex-assistant Director of SWAP, a public sector limited company providing internal audit services.

The assessment result was that *“Based on the work carried out, it is our overall opinion that DAP **generally conforms*** with the Standards and the Code of Ethics”*. The Report noted that *“As a result of our work, a small number of areas where partial conformance was identified. These were minor observations, none of which were significant enough to affect the overall opinion”*. DAP is actively addressing these improvement areas.

* **Generally Conforms** – This 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

Improvement Programme – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan. This will be further embedded with revision of our internal quality process through peer review. Our development plan is regularly updated, and a status report reported to the DAP Management Board.

The new **Global Internal Audit Standards (GIAS)** come into effect for the UK public Sector as of 1st April 2025. There are three key aspects:

- [The GIAS](#);
- [The CIPFA Code on the Governance of Internal Audit](#); and
- [The CIPFA Application Note for the GIAS in the Public Sector](#).

These documents combine to set out the framework for Internal Audit that must be followed as per Section 5 of the Accounts and Audit Regulations 2015. During 2025/26 DAP will be undertaking a GAP Analysis of existing processes in relation to the above for each DAP Partner. The outcomes will result in action plans that will be worked through with the Partners to ensure compliance, this is likely to require actions from both DAP and Partners to ensure compliance with the revised governance arrangements and other applicable activities. Further information will be provided in due course.

Customer Service Excellence

DAP was successful in re-accreditation by G4S Assessment Services of the CSE standard during our last review. This accreditation is a UK-wide quality mark which recognises organisations the prioritise customer service and are committed to continuous improvement.

Appendix 3 – Audit Authority



Appendix 4 - Annual Governance Framework Assurance

The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

The Annual Governance Statement (AGS) provides assurance that

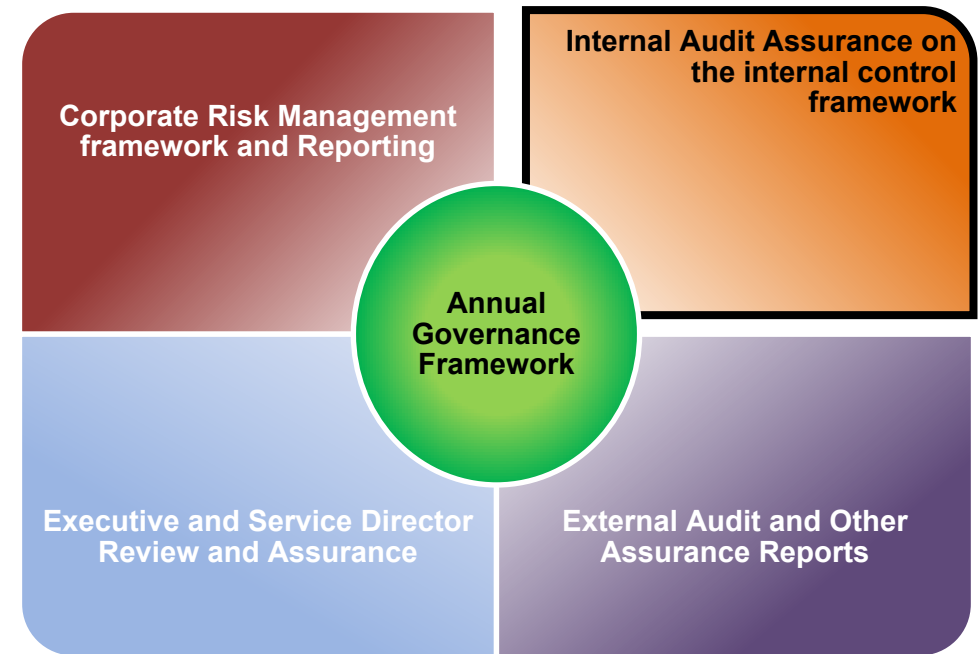
- the Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:-

- be prepared by senior management and signed by the Chief Executive and Chair of the Audit (Governance) Committee;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This will include comment upon;
 - The Authority;
 - Audit Committee;
 - Risk Management;
 - Internal Audit;
 - Other reviews / assurance.

Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance.

The Committee should satisfy themselves, from the assurances provided by the Corporate Risk Management Framework, Executive and Internal Audit that the statement meets statutory requirements, and that the management team endorse the content.



The LGA has introduced an improvement and assurance framework, accompanied by [a self-assessment](#) tool. This framework is intended to assist local authorities in evaluating the adequacy of their measures to ensure both service performance and corporate governance.

It is specifically designed for use by corporate statutory officers, in collaboration with members and other key officers. The tool should be utilised to inform the council's annual review of the effectiveness of its internal control system, aid in preparation for external evaluations such as Corporate Peer Challenges or inspections and support corporate statutory officers in their roles to promote good governance within the authority. The [framework](#) and a dedicated guide for [Councillors](#) are available on the LGA's website.

Appendix 5 - Basis for Opinion

The Chief Internal Auditor is required to provide the organisation with an opinion on the adequacy and effectiveness of its accounting records and its system of internal control in the Council.

In giving our opinion, it should be noted that this assurance can never be absolute. The most that the Internal Audit service can do is to provide assurance, formed from risk-based reviews and sample testing, of the framework of governance, risk management and control.

This report compares the work carried out with the work that was planned through risk assessment; presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit function against its performance measures and other criteria.

The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

- a statement on the effectiveness of the system of internal control in meeting the Council's objectives;
- a comparison of Internal Audit activity during the year with that planned;
- a summary of the results of audit activity and;
- a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements.

The extent to which our work has been affected by changes to the audit plan are shown in this document.

The overall audit assurance will have to be considered in light of this position.

In assessing the level of assurance to be given the following have been taken into account:

all audits completed during 2024-25, including those audits carried forward from 2023-24;

any follow up action taken in respect of audits from previous periods;

any significant recommendations not accepted by management and the consequent risks;

the quality of internal audit's performance;

the proportion of the organisations audit need that has been covered to date;

the extent to which resource constraints may limit this ability to meet the full audit needs of the Authority;

any limitations that may have been placed on the scope of internal audit.

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Devon Assurance Partnership

The Devon Assurance Partnership has been formed under a joint committee arrangement. We aim to be recognised as a high-quality assurance service provider. We work with our partners by providing a professional assurance services that will assist them in meeting their challenges, managing their risks, and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards (for 2024/25) along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at tony.d.rose@devon.gov.uk

Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

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REPORT TO AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 27th November 2025

Report of: Strategic Director of Corporate Resources

Title: Quarterly Procurement Waiver and Breach Transparency Report

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

The report provides an overview of the procurement waivers and breaches in the last quarter to ensure transparency and accountability in internal decision-making processes and compliance with the Council's Procurement and Contract Procedures and procurement legislation.

2. Recommendations:

That members note the waivers and breaches of the Procurement and Contract Procedures for quarter Q2 2025/2026.

3. Reasons for the recommendation:

To ensure transparency in relation to third party expenditure and to comply with an Audit recommendation that waivers and breaches should be reported quarterly to Audit and Governance Committee.

4. What are the resource implications including non-financial resources

There are no new financial implications as this report is for information.

5. Section 151 Officer comments:

The information in the report has previously been part of the Members Information Bulletin but will now be reported to Audit & Governance on a quarterly basis. This is a welcome step forward in informing Councillors of issues within Procurement.

6. What are the legal aspects?

A transparent governance process to identify where breaches/waivers have taken place maximises compliance with the Procurement Act 2023 and the Council's Procurement and Contract Procedures which form part of the Council's Constitution.

Section 6 of the Council's Procurement and Contract Procedure Rules sets out the procurement requirements at various thresholds. All purchases over £25k

(excluding VAT) must be subject to some kind of competition process as detailed in Table 1 below.

Table 1 - Internal Thresholds – All thresholds exclusive of VAT

Value of Contract (exc VAT)	How to procure
Up to £25k	Min 1 Quotation (3 preferred)
Between £25k and £100k	Min 3 Quotations
Between £100k and the UK Procurement threshold	Formal tenders
Over UK Procurement threshold	Formal tenders

Rules 2.4 – 2.6 of the Council's Procedures allow a "waiver" to the requirement for competition and allows a contract to be awarded by direct negotiation with one supplier. This must be agreed and documented in advance. The Council's Procedures do not permit the granting of waivers where they are over the relevant legal UK procurement thresholds shown in Table 2 below.

Table 2 – Relevant UK Legal Procurement Thresholds effective January 2024 – January 2026 (inclusive of VAT)

Goods and Services Threshold	£214,904 (inc VAT)
Works Threshold	£5,372,609 (inc VAT)

If a direct award is made which is above the relevant procurement threshold (and a legally compliant alternative such as a Framework Agreement is not used) or a contract continues after its end date, then a breach of the rules has occurred.

Paragraph 2.8 of the Procedures requires the procurement team to record non-compliance with the Procedures and report this to the Monitoring Officer.

In exceptional circumstances, the legislation allows some legally permitted direct awards, for instance to cover emergency provisions.

7. Monitoring Officer's comments:

Members will note that a number of waivers and breaches have been identified. Members will note at paragraph 8.2.4 the steps that are being taken in order to increase compliance with the legislation and the Council's own procedures. The Audit and Governance Committee will receive regular quarterly updates so that the Audit and Governance Committee can monitor compliance.

8. Report details:

8.1 Background

External Audit previously recommended that waivers and breaches are reported to Audit and Governance Committee on a quarterly basis for review. This is the second quarterly report to this committee and covers Q2 2025/2026.

8.2 Report

8.2.1 Waivers

The Procurement and Contract Procedures form part of the Council's Constitution and set out the process that must be followed if, in exceptional circumstances, there are legitimate reasons where it may not be possible for an officer to comply with a specific part of the Procedures and/or run a competitive process. Where the Procedures cannot be followed, a Waiver must be applied for.

Where expenditure is under £100k ex VAT, a Head of Service or SMB member must approve a Waiver to the Procedures and provide a copy of the written approval (Waiver Application Form) to the procurement team to be added to the Waivers Register. In addition, the Procurement Manager is required to review and comment on waiver requests over £100k ex VAT. As a general rule, Waivers are not approved for expenditure beyond 1 year in duration.

Direct Awards of contracts via a framework are compliant with procurement legislation but require a waiver under the Council's Procurement and Contract Procedure Rules so there is a formal review of whether such an approach represents best value for public funds.

In circumstances where a waiver is valued over the relevant UK procurement threshold, procurement/legal advice is required to assess the application of Section 41 and Schedule 5 of the Procurement Act 2023 which provides for direct awards in special cases, that is, where a contract is awarded without undergoing a competitive process.

During the period, 1st July 2025 – 30th September 2025, a total of 10 waiver applications were approved and recorded as summarised in the table below (further detail can be found in Appendix A):

Table 2 Waivers by reason reported in Q2:

Waiver (Exemption) Primary Reason:	Total (Q2 2025/26)	Value of Waiver £ (ex VAT)
Increased Cost/Loss of Income	1	32,400
Limited Markets	7	763,796
Reputational Damage (the Council would be criticised for failing to act promptly)	0	-
Compliant Direct Award via Framework	2	6,210,000
Total	10	7,006.196

Table 2 Waivers by Directorate reported in Q2

Directorate	No. Waivers in Q2	Value of Waivers £
--------------------	--------------------------	---------------------------

Chief Executive	0	0
Corporate Resources	1	210,000
Operations	3	6,167,416
People and Communities	5	609,780
Place	1	19,000
Totals	10	7,006,196

8.2.2 Breaches

A procurement breach may be as a result of either a failure to follow Council's Procurement and Contract Procedures and/or a failure to comply with Procurement Legislation. Breaches over the UK legal thresholds expose the Council to the greatest risk.

The table below summarises the number of breaches by Directorate recorded in Quarter 2 2025/2026. Further details on individual breaches can be found in Appendix B.

Table 3 – Breaches by Directorate Reported in Q2

Directorate	No. of below threshold breaches reported in Q2	Approximate value of breaches £
Chief Executive	0	0
Corporate Resources	1	100,000
Operations	9	1,085,300
People and Communities	6	360,000
Place	1	770,000
Total number of breaches in Q2		2,315,300

It is not uncommon for breaches to occur within contracting authorities, and they are normally unintentional. Of the breaches identified in Appendix B, several relate to granted funded schemes where procurement can prove difficult where there are constrained timeframes in which to spend funding. No evidence deliberate wrongdoing has been identified in relation to any of the breaches listed in this report.

8.2.3 Progress on addressing breaches reported in Q1

Progress has been made on addressing all breaches reported last quarter. However, security services provision for housing requires a broader corporate review and currently, detailed information is being gathered on spend and future requirements with a view to considering the most appropriate procurement strategy to adopt. A procurement exercised is expected to be run in 2026.

8.2.4 Steps being taken to reduce the risk of Non-Compliance/breaches

The following actions are being taking to reduce the risks of the Council breaching its own rules and procurement legislation in line with Internal Audit recommendations:

- Between May 2025 and October 2025, training on Exeter City Council's procurement rules and procurement legislation has been provided by the procurement team to over 142 staff directly involved in procurement processes (including all Heads of Service) with considerable positive feedback received from those attending. Staff who attended were nominated by Heads of Service as being those who lead on tenders.
- A draft Breach Procedure Note, initially reported on at the July meeting of this committee, has now been approved and will be incorporated into the Council constitution in the coming weeks.
- Terms of Reference have been drafted for creation of a new Procurement and Contract Assurance Board have now been approved by SMB. The Board will support the monitoring of spend across the council to help ensure value for money and procurement compliance and will initially be chaired by the Strategic Director for Corporate Resources. The first meeting of this board is expected to take place in the coming quarter.

9. How does the decision contribute to the Council's Corporate Plan?

Effective governance, transparency and delivering value for money contributes to the Council's purpose of leading a well-run Council.

10. What risks are there and how can they be reduced?

Failure to have appropriate controls in place to monitor and manage non-compliance with the Contract Procurement Rules and procurement legislation may expose the council to legal challenge, reputational harm, and failure to achieve value for money.

Steps being taken to reduce the risks are detailed in 8.2.4 above.

11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because: because the report is for information only

12. Carbon Footprint (Environmental) Implications:

12.1 No direct carbon/environmental impacts arising from the recommendations.

13. Are there any other options?

13.1 Not Applicable

Director: Dave Hodgson, Strategic Director of Corporate Resources

Author: Lynda Chaffey, Procurement Manager

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:- None

Contact for enquires:
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01392 265354

Appendix A – Waivers to the Contract and Procurement Procedures Recorded Q2 2025/2026

Waiver/ Direct award Reference	Project / Contract Title	Service	Signed by Corp Manager / SMB Member	Supplier	Waiver Start Date	Waiver End Date	Reason it is longer than a year if applicable	Waiver Value £	Primary Reason for Waiver
WA00005	Trew Weir Repairs	Operations	Strategic Director - Operations	Faithful & Gold/ Atkins and Kiers	01/06/2025	30/06/2027	n/a	6 million	Compliant Direct Award via Framework
WA00006	Edwards Court, Building Services Maintenance	Asset Maintenance	Head of Asset Maintenance	Whitehead Building Services UK	01/02/2024	31/01/2026	Specialist compliance/s ervicing works	135,016	Limited Markets
WA00008	Dynamic Energy Management and System Maintenance Improvement Project - RAMM	Leisure & Culture (RAMM)	Head of Culture and Leisure	Mclaren Design	01/06/2025	30/05/2026	N/A	19,000	Limited Markets
WA00009	Guildhall & John Lewis Car Parks – Replacing Payment & Associated Equipment Procurement	Commercial Property	Strategic Director Corporate Resources	Scheidt & Bachmann	01/09/2025	31/12/2025	Compliant award via framework	210,000	Compliant Direct Award via Framework
WA00010	Emergency & Contingency support processing comingled materials	Environment & Waste	Head of Environment & Waste	Nicholas Rowell Haulage Ltd	01/04/2025	31/03/2025	N/A	32,400	Increased cost/Loss of Income
DAJ00001	MHCLG Supported Accommodation Project	Housing	Strategic Director People & Communities	Exeter City Community Trust	01/08/2025	31/03/2026	N/A	158,000	Procurement Act 2023 Direct Award in Special Cases – Limited markets
DAJ00002	PR 20 2025 SH - MHCLG Prospect House Support Services	Housing	Strategic Director People & Communities	Home Group	01/08/2025	31/03/2026	N/A	164,000	Procurement Act 2023 Direct Award in Special Cases – Limited markets
DAJ00003	PR 21 2025 SH - MHCLG Julian House Supported Accommodation	Housing	Strategic Director People & Communities	Julian House	01/08/2025	31/03/2026	N/A	108,800	Procurement Act 2023 Direct Award Direct Award in Special Cases – Limited markets

DAJ00004	PR 22 2025 SH - MHCLG Howell Road Supported Accommodation project	Housing	Strategic Director People & Communities	Sanctuary Supported Living	01/08/2025	31/03/2026	N/A	42,000	Procurement Act 2023 Direct Award in Special Cases – Limited markets
DAJ00005	PR 13 2025 SH - MHCLG Morwenna Support Services	Housing	Strategic Director People & Communities	Bournemo uth Churches Housing Associatio n (BCHA)	01/08/2025	31/03/2026	N/A	136,980	Procurement Act 2023 Direct Award in Special Cases – Limited markets

Appendix B – Breach of Contract and Procurement Procedures Recorded Q2 2025/2026

Contract/Project Description	Service Area	Directorate	Nature of Breach	Breach Specifics	Breach Value £	Actions Taken
MHCLG Morwenna Support Services	Housing	People & Communities	Non Compliance with Legislation	<p>Failure to run a competitive process.</p> <p>In this instance, a government grant was awarded at short notice with insufficient time to run a tender process and comply with spending deadlines. as well as meeting spending deadlines. Therefore, from 1st April 2025 to 31st July 2025 this was off-contract spend, and a direct award was put in place from 1st Aug 25 to 31st March 26 and transparency notice published.</p>	£68,490.00	<p>Breach acknowledged and recorded. Direct Award Justification contract entered into, and new tender process will be undertaken.</p> <p>Relevant staff have now attended procurement training.</p>
MHCLG Supported Accommodation Project	Housing	People & Communities	Non Compliance with Legislation	<p>Failure to run a competitive process.</p> <p>In this instance, a government grant was awarded at short notice with insufficient time to run a tender process and comply with spending deadlines. Therefore, from 1st April 2025 to 31st July 2025 this was off-contract spend, and a direct award was put in place from 1st Aug 25 to 31st March 26 and transparency notice published.</p>	£79,000.00	<p>Breach acknowledged and recorded. Direct Award Justification contract entered into, and new tender process will be undertaken.</p> <p>Relevant staff have now attended procurement training.</p>

MHCLG Prospect House Support Services	Housing	People & Communities	Non Compliance with Legislation	<p>Failure to run a competitive process.</p> <p>In this instance, a government grant was awarded at short notice with insufficient time to run a tender process and comply with spending deadlines. Therefore, from 1st April 2025 to 31st July 2025 this was off-contract spend, and a direct award was put in place from 1st Aug 25 to 31st March 26 and transparency notice published.</p>	£82,000.00	<p>Breach acknowledged and recorded. Direct Award Justification contract entered into, and new tender process will be undertaken.</p> <p>Relevant staff have now attended procurement training.</p>
MHCLG Support Accommodation Services	Housing	People & Communities	Non Compliance with Legislation	<p>Failure to run a competitive process</p> <p>In this instance, a government grant was awarded at short notice with insufficient time to run a tender process and comply with spending deadlines. Therefore, from 1st April 2025 to 31st July 2025 this was off-contract spend, and a direct award was put in place from 1st Aug 25 to 31st March 26 and transparency notice published.</p>	£54,400.00	<p>Breach acknowledged and recorded. Direct Award Justification contract entered into, and new tender process will be undertaken.</p> <p>Relevant staff have now attended procurement training.</p>
MHCLG Howell Road Support Services	Housing	People & Communities	Non Compliance with Legislation	<p>Failure to run a competitive process.</p> <p>In this instance, a government grant was awarded at short notice with insufficient time to run a</p>	£21,000.00	<p>Breach acknowledged and recorded. Direct Award Justification contract entered into, and new tender process will be undertaken.</p> <p>Relevant staff have now attended procurement training.</p>

				tender process and comply with spending deadlines. Therefore, from 1 st April 2025 to 31 st July 2025 this was off-contract spend, and a direct award was put in place from 1 st Aug 25 to 31 st March 26 and transparency notice published.		
Vaughan Road (The Gardens Whipton) Development - Landscaping	Operations	Operations	Non Compliance with Exeter City Council (ECC) Rules	Retrospective Waiver (waiver reported in Q1)	£43,243.00	Advice given by Procurement on correct process
Skyguard Lone working devices	Housing (main service area)	People & Communities	Non Compliance with ECC Rules	Failure to run a competitive process and no evidence of an existing contract.	In excess of £100K	Advice given by Procurement on correct process. Service may be reprocured via STRATA in future.
Commercial Property Valuation Advice	Commercial Property	Corporate Resources	Non Compliance with ECC Rules & potential non-compliance with legislation is spend aggregated.	Aggregated spend exceeds limit at which a tender should be run & evidence of a contract/compliant procurement process not identified.	In excess of £100k	Advice given by Procurement on options to procure valuation services in general.
Domestic Gas Inspections	Asset Maintenance	Operations	Non Compliance with ECC Rules	Out of contract	£24,474.40	Breach acknowledged. New procurement process underway (early stages). Procurement resource was not available immediately to provide service support. Retrospective waiver to be completed to ensure compliance.
Domestic Electric Inspections	Asset Maintenance	Operations	Non Compliance with ECC Rules	Out of contract	£7,200.00	Breach acknowledged. New procurement process underway (early stages) Procurement resource was not available immediately to provide service support. Retrospective waiver to be completed to ensure compliance.

Topsham Museum Repairs	Asset Maintenance	Operations	Non Compliance with Legislation	Spend is over recorded contract value and varied by more than 15% as permitted by legislation.	£428,430.00	Breach acknowledged. Waiver put in place.
CCTV Cameras	City Centre & Net Zero	Place	Non Compliance with Legislation	Spend is over recorded contract value and varied by more than 10% as permitted by legislation.	Circa £770,000	Breach acknowledged. New procurement process underway
Lift Maintenance and repair services	Asset Maintenance	Operations	Non Compliance with Legislation	Spend has gone over recorded contract value.	£418,694.79	Breach acknowledged and requirement. New procurement to be run in 2026.
Emergency & contingency support processing comingled materials.	Environment and Waste	Operations	Non Compliance with Exeter City Council Rules	Retrospective Waiver to be completed.	£48,000.00	Advice given by procurement on the correct approach.
Emergency & contingency support processing comingled materials.	Environment and Waste	Operations	Non Compliance with Exeter City Council Rules	Retrospective Waiver to be completed	£32,400.00	Advice given by procurement on the correct approach.