

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: **24 JULY 2025**

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

Title: **ANNUAL REPORT OF INTERNAL AUDIT FOR THE YEAR ENDED 31 MARCH 2025**

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

To conform to the Public Sector Internal Audit Standards, Internal Audit provides a written annual report to support the Council's Annual Governance Statement. This includes an opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment.

2. Recommendations:

- 2.1 Members are recommended to note the contents of the Annual Internal Audit Report.

3. Reasons for the recommendation:

- 3.1 To comply with the Public Sector Internal Audit Standards and Corporate Governance best practice.

4. What are the resource implications including non financial resources

- 4.1 None

5. Section 151 Officer comments:

- 5.1 Whilst the overall assessment of limited assurance is below what the Council would wish to achieve, it is reflective of the process that has been put in place to identify areas of weakness and begin to address them. It should be noted that a number of the audits were specifically requested by management to focus on areas of concern and identify an action plan to address issues. It should also be noted that management are fully engaged and many of the issues have been addressed.

6. What are the legal aspects?

- 6.1 The purpose of the internal audit function is to comply with the Public Sector Internal Audit Standards. These came into effect in April 2013. The latest update was issued in March 2017. From 1 April 2025, the new Global Internal Audit Standards will apply together with the UK Public Sector Application Note and the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government.

7. Monitoring Officer's comments:

7.1 Since 1st April 2024, Exeter City Council's internal audit function has been performed by South West Audit Partnership Limited.

7.2 Members will note the content of the Internal Audit Annual Opinion for 2024/25. It states at the outset that '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'.

7.3 At page 3 of the Opinion, the Head of Internal Audit (SWAP Assistant Director) states that '...I can offer a Limited Assurance opinion in respect of the areas reviewed during the year.'

7.4 Members will note that regular progress reports have been provided to the Audit and Governance committee and that action plans have been agreed in order to address the limited assurance opinions. The Internal Auditor states at page 4 of the opinion that '...plans are in place to reduce risks reported and to provide assurance that progress is being made.'

7.5 The Internal Auditor notes the '...clear evidence of the commitment of management to implementing actions agreed' and it is notable that the Council has '...engaged with [the Internal Auditor] openly and transparently about known areas of concern' and that '...there is good evidence to demonstrate that the results of [the Internal Auditor's] work will be used to support the organisational improvements that are underway'

8. Report details:

8.1 The Public Sector Internal Audit Standards (PSAIS) require that:

- The Audit Manager must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement
- The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control
- The annual report must incorporate:
 - the opinion;
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement Programme

8.2 The Annual Audit report is attached as Appendix A.

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.

11.4.1 The report is for information only

12. Carbon Footprint (Environmental) Implications:

No direct carbon/environmental impacts arising from the recommendations.

13. Are there any other options?

N/A

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

Background papers used in compiling this report:

None

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