

Exeter City Council

Internal Audit Annual Opinion 2024/25

Internal Audit Annual Opinion – 2024/25: 'At a Glance'

Annual Opinion



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.

The Headlines

| | |
|--|--|
| | High Organisational Risk <ul style="list-style-type: none"> Debt Management advisory review (page 6) |
| | Progress against the 2024/25 Internal Audit Plan <ul style="list-style-type: none"> Audit plan delivered, with just one report at draft stage |
| | Follow-ups <p>Six follow-ups were completed relating to prior year limited assurance reviews. Evidence was sufficient to close these actions.</p> |
| | Outstanding Actions <p>A system to monitor actions agreed within audit reports has been implemented this year.</p> <p>Outstanding actions now only relate to audit work finalised during 24/25.</p> |

Assurance Opinions

| | 2023/24 | 2024/25 |
|--------------|-----------|-----------|
| Substantial | 7 | 1 |
| Reasonable | 14 | 3 |
| Limited | 7 | 10 |
| No Assurance | 0 | 0 |
| Advisory | 2 | 3 |
| Grants | 1 | 1 |
| Follow Up | n/a | 6 |
| Total | 31 | 24 |

Agreed Actions

| | 2023/24 | 2024/25 |
|--------------|------------|------------|
| Priority 1 | 4 | 16 |
| Priority 2 | 100 | 60 |
| Priority 3 | 94 | 33 |
| Total | 198 | 109 |



SWAP
INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

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

Executive Summary

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control, and governance processes.



Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

This conclusion refers to the full breadth of the Council's operations across 2024/25. However, internal audit's work cannot address all risks across and so make best use of inevitably limited resources. In approving our audit plan the committee recognised this limitation. Beyond this general disclaimer we have no specific limitations of scope to report.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

Executive Summary

Three Lines Model

To ensure the effectiveness of an organisation's risk management framework, the Audit and Governance Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The Three Lines model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management and compliance.
- the third line – functions that provide independent assurance.

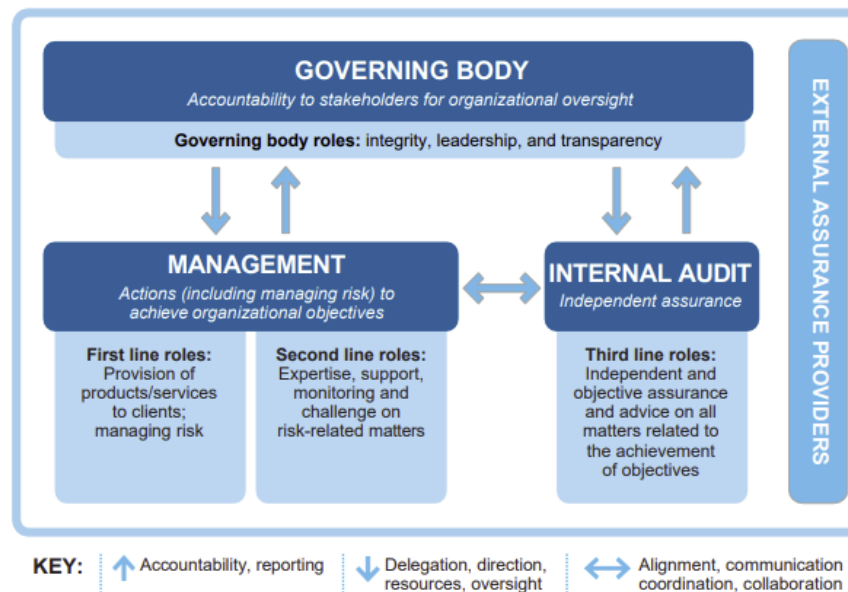


Background

SWAP Internal Audit Services provides the Internal Audit service for Exeter City Council. Our work complies with the Institute of Internal Auditor's International Professional Practices Framework and is guided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. Our work is also guided by the Internal Audit Charter, which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Council's control environment by evaluating its effectiveness. This report summarises Internal Audit's activity for the 2024/25 year.

Internal Audit's role in an organisation's governance framework is best summarised by the Three Lines model shown below.



Audit Coverage by Corporate Risk

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

On the balance of our 2024/25 audit work for Exeter City Council, I can offer a **Limited Assurance** opinion in respect of the areas reviewed during the year.

A schedule of the work we have delivered is included in this report as **Appendix A**.

The Annual Opinion is based on the following sources of information:

- Completed audits which evaluate risk exposures relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.
- Observations from advisory work.
- Follow up of previous audit activity, including the monitoring of agreed actions.
- Grant certification work.
- Assurances from other providers, including third parties and regulator reports.

A risk based plan was agreed for 2024/25 with audit work scheduled across the Council's key services and strategic risks. A summary of our coverage against the Council's strategic risks is included on page 5.

As agreed the scope of our work does not extend to covering ICT services delivered by Strata, as these are audited by the Devon Audit Partnership. Therefore, we do not consider ICT services or risks when providing the Annual Opinion.

SWAP Internal Audit Services were appointed as the Council's internal auditors from 1st April 2024. From the start, the Internal Audit Team have experienced open engagement with both Senior Management and the Audit and Governance Committee. The Council have made it clear that they value the independent challenge that internal audit provides. Working with Senior Management the internal audit plan has been updated as the year has progressed and has continued to focus on areas of management concern.

Summary of Audit Outcomes

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion Continued

Progress reports highlighting key issues have been provided to the Audit and Governance Committee regularly during the year. Action plans to address weaknesses reported have been readily agreed and those with limited assurance opinions reported separately to the Committee by the S.151 officer. The aim of this report being to demonstrate that plans are in place to reduce risks reported and to provide assurance that progress is being made.

Working together with management a system to monitor actions agreed within audit reports has been implemented this year. This is now operational and allows managers to view and update their agreed audit actions. Monitoring reports are also now produced to help management and members to review progress being made.

Follow-up work was carried out for 23/24 limited assurance audits. This work demonstrated that action had been taken in relation to all 43 actions reviewed. This provides clear evidence of the commitment of management to implementing actions agreed.

The 2024/25 Internal Audit Plan is now substantially complete, with only one audit remaining in progress. In relation to completed audits, 14 have opinions with just 4 reporting reasonable or substantial assurance and the remaining given limited Assurance.

As we follow a risk-based approach to our audit work, it is expected that some reviews will report lower assurance levels. However limited assurance opinions represent 71% of our assurance work and covers key financial, governance and operational systems. We also reported a high organisational risk in relation to debt management during the year. This is why I have decided to offer a limited assurance annual opinion.

The Council itself is self-aware and understands that more needs to be done. During 2024/25 a major organisational restructure has taken place to support improvement across the Council, including in governance arrangements.

To summarise, the Council has engaged with us openly and transparently about known areas of concern to enable the overall position to be independently baselined and improvement plans formally produced. Although the 2024/25 internal audit opinion is limited there is good evidence to demonstrate that the results of our work will be used to support the organisational improvements that are underway.

Summary of Audit Outcomes

Internal audit coverage should be aligned to key corporate priorities and key corporate risks.



Audit Coverage by Strategic Risk

The table below maps audit work to Exeter City Council's key strategic risks to demonstrate assurance levels provided.

| Table Key | Reasonable internal audit coverage | Partial internal audit coverage | No internal audit coverage in 2023/24 |
|-----------|---|---------------------------------|---|
| No | Strategic Risk | Risk Score | Coverage |
| 1 | Delivering the key challenges in the Net Zero Carbon City section of the Corporate Plan | High | <i>Reasonable Assurance in 23/24</i> |
| 2 | Making progress towards a Healthy and Active City | Medium | <i>Leisure - Reasonable Assurance in 23/24</i> |
| 3 | Adapting the council workforce to ensure appropriate skills and experience (future proof workforce) | Medium | Occupational Health Services |
| 4 | Maintaining the Financial Stability of the Council | Medium | Budget Monitoring, Creditors, Housing Benefit Decisions, Debt Management, Council Tax arrears, payroll |
| 5 | Maintaining the Council's Property and Infrastructure Assets | High | Corporate Property Assets, Disabled Facilities Grant, HRA Repairs & Maintenance |
| 6 | Delivering Housing and Building Great Neighbourhoods and Communities | High | CIL governance, S106 governance, temporary accommodation |
| 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 | |
| 9 | Progressing the design and delivery of a corporate Customer and Digital Strategy | Medium | Covered by Strata |

Summary of Audit Outcomes

Definitions of Organisational Risk

High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Medium Risk

Issues which should be addressed by management in their areas of responsibility.

Low Risk

Issues of a minor nature or best practice where some improvement can be made.



Significant Corporate Risks

Our audits examine the controls that are in place to manage the risks relating to the area being audited. We assess the risk at an 'organisational' level once we have tested the controls in place. Where the controls are found to be ineffective and the 'Organisational risk' as 'High' these are brought to the Audit Committee's attention. For those audits which have reached report stage through the year, we have assessed the following risks as 'High'.

Debt Management Advisory Review

Our work showed there were varying levels of debt recovery action taken across service areas. Several service areas reported they do not have dedicated debt recovery officers and that they do not take recovery action regularly.

There were three separate debt recovery procedures published on the intranet. None of them provide detailed instructions of the recovery steps services should follow beyond automatic reminders. The procedure documents have not been reviewed since 2019.

The council's write-off authorisation protocols are restrictive, which may deter write-off even when this is the most appropriate action. Write-off guidance and templates need updating.

This audit was specifically requested by management as an advisory review outside of the agreed internal audit plan. Senior Management had concerns in relation to the operation of debt management and had already decided to move the function from Revenues and Benefits across to Accountancy Services. This review was requested to assess the basepoint and to help inform priorities for the team.

Our action plan monitoring shows agreed actions to be in progress.

Summary of Audit Outcomes

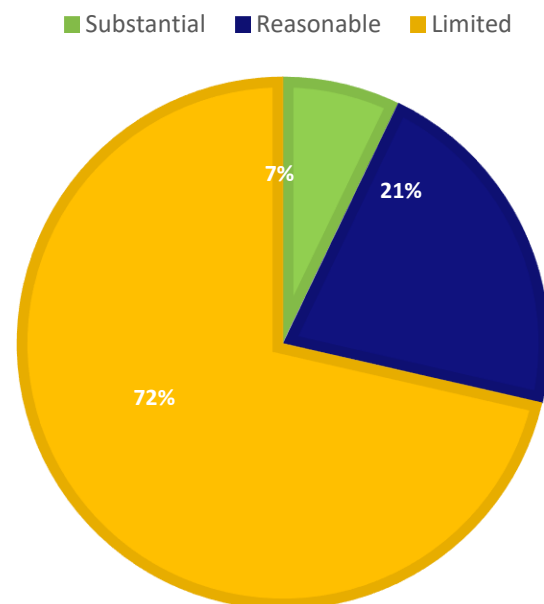
At the conclusion of an audit assignment each review is awarded an Audit Assurance Opinion:



Summary of Audit Opinion

- **Substantial** - A sound system of governance, risk management and control exists.
- **Reasonable** - Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.
- **Limited** - Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives.
- **None** - The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives.

**TABLE 1: SUMMARY OF AUDIT OPINIONS
2024/25**



There were no “None” assurance audits in 2024/25.

Summary of Audit Outcomes

We regularly monitor the council's implementation of agreed management actions. This is important to provide evidence that recommendations have been implemented to reduce areas of risk identified.



Action Tracking and Follow-up Work

Follow-up Work

Follow-up work was carried out for 23/24 limited assurance audits. This work demonstrated that action had been taken in relation to all actions reviewed. The results are summarised below:

| Name of Audit | Priority of Action | | | Total | Satisfactory Follow-up |
|-------------------------------|--------------------|-----------|-----------|-----------|------------------------|
| | 1 | 2 | 3 | | |
| CIL & S106 agreements (22/23) | | 10 | 3 | 13 | 13 |
| Trade Waste Income | | 7 | 3 | 10 | 10 |
| Corporate Credit Card | | 5 | | 5 | 5 |
| VAT | | 2 | | 2 | 2 |
| Health & Safety Training | 1 | 1 | 2 | 4 | 4 |
| Taxi Licensing | 1 | 3 | 9 | 13 | 13 |
| Total | 2 | 28 | 17 | 47 | 47 |

Two 23/24 audits with limited assurance were not finalised until autumn 2024 and will be followed up during 2025/26. These are:

- Corporate governance
- Raising of invoices

Action Tracking

A system to monitor actions agreed within audit reports has been implemented this year. This allows managers to view and update their agreed audit actions. Monitoring reports are now produced to help management and members to review progress being made.

The majority of the 98 open actions relate to the current year. There are 10 actions outstanding from 23/24 and these are the two audits referred to in the follow-up section above.

Plan Performance 2024/25

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).



SWAP Performance

SWAP's performance is subject to regular monitoring and review by both the SWAP Board of Directors and the Owners Board. The respective outturn performance results for the SWAP team conducting audits at ECC for the 2024/25 year are as follows:

| Performance Target | Performance |
|---|-------------|
| Overall client satisfaction <i>did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence</i> | 100% |
| Value to the organisation <i>client view of whether our audit work met or exceeded expectations, in terms of value to their area</i> | 100% |

Until 31 March 2025, the relevant Standards for UK public sector internal audit were the Public Sector Internal Audit Standards. Standard 1312 required auditors to commission an external quality assessment on conformance with the Standards at least every five years. SWAP's most recent assessment was published in December 2024 and concluded that SWAP "generally conforms", the highest grade then available in the IIA's Quality Manual. We can therefore confirm that our work for 2024/25 was completed in conformance with relevant professional standards.

From 1 April 2025 the new Global Internal Audit Standards apply, alongside the UK Public Sector Application Note and the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government. We will report conformance against these new Standards as part of our 2025/26 conclusion.

Summary of Internal Audit Work 2024/25

Appendix A

| Audit Type | Audit Area | Status | Opinion | Total Actions | 1 = Major | ↔ | 3 = Medium |
|------------|---|----------|-------------|-----------------------------------|-----------|----|------------|
| | | | | | Actions | | |
| | | | | | 1 | 2 | 3 |
| Complete | | | | | | | |
| Assurance | Disabled Facilities Grants | Final | Substantial | 2 | 0 | 1 | 1 |
| Assurance | Waterways | Final | Reasonable | 6 | 0 | 3 | 3 |
| Assurance | Housing Benefit Decisions | Final | Reasonable | 2 | 0 | 1 | 1 |
| Assurance | NEW Budget Management | Final | Reasonable | 4 | 0 | 2 | 2 |
| Assurance | Corporate Property Assets Maintenance & Capital Programme | Final | Limited | 8 | 1 | 6 | 1 |
| Assurance | Creditors | Final | Limited | 7 | 0 | 4 | 3 |
| Assurance | Governance Arrangements for CIL Receipts | Final | Limited | 7 | 1 | 6 | 0 |
| Assurance | Council Tax Arrears | Final | Limited | 4 | 0 | 3 | 1 |
| Assurance | NEW Occupational Health Services | Final | Limited | 17 | 1 | 11 | 5 |
| Assurance | Housing Revenue Account Repairs & Maintenance | Final | Limited | 6 | 4 | 1 | 1 |
| Assurance | Communication Strategy | Final | Limited | 10 | 2 | 6 | 2 |
| Assurance | Temporary Accommodation | Final | Limited | 13 | 1 | 7 | 5 |
| Assurance | NEW S106 Governance Arrangements | Final | Limited | 9 | 1 | 3 | 5 |
| Assurance | Procurement | Final | Limited | 6 | 2 | 4 | 0 |
| Follow-up | CIL & S106 Agreements (22/23) | Final | N/A | All 13 agreed actions implemented | | | |
| Follow-up | Trade Waste Income (23/24) | Complete | N/A | Action tracking complete | | | |

Summary of Internal Audit Work 2024/25

| Audit Type | Audit Area | Status | Opinion | Total Actions | 1 = Major | ↔ | 3 = Medium |
|------------|---|----------|---|---|-----------|---|------------|
| | | | | | Actions | | |
| | | | | | 1 | 2 | 3 |
| Follow-up | Corporate Credit Card (23/24) | Complete | N/A | Action tracking complete | | | |
| Follow-up | VAT (23/24) | Complete | N/A | Action tracking complete | | | |
| Follow-up | Health & Safety Training (23/24) | Complete | N/A | Action tracking complete | | | |
| Follow-up | Taxi Licensing (23/24) | Final | N/A | All 13 agreed actions implemented | | | |
| Grant | NEW Social Housing Decarbonisation Grant | Final | Certified | | | | |
| Advisory | Debt Management | Final | N/A | 8 | 3 | 2 | 3 |
| Advisory | NFI | Complete | N/A | Initial support for this data matching exercise | | | |
| Advisory | Fraud advice and support including confidential reporting | Final | N/A | | | | |
| Draft | | | | | | | |
| Assurance | Payroll – self service | Draft | | | | | |
| Deferred | | | | | | | |
| Assurance | People Management | Deferred | Request from SMB to defer as review currently ongoing. To schedule in 25/26. To replace with occupational health services . | | | | |
| Assurance | Risk Management | Deferred | Request from SMB to defer as much work currently ongoing in this area. To schedule in 25/26. Replaced with budget management . | | | | |

Summary of Internal Audit Work 2024/25

| Audit Type | Audit Area | Status | Opinion | Total Actions | 1 = Major | ↔ | 3 = Medium |
|-----------------|---------------------------|----------|--|---------------|-----------|---|------------|
| | | | | | Actions | | |
| | | | | | 1 | 2 | 3 |
| Assurance | Contract Management | Deferred | Agreed with S151 to defer. Contract Management has received good coverage in recent years. Resources will focus on procurement in 24/25 given new regulations to be implemented in February. | | | | |
| Assurance | Net Zero/Climate Change | Deferred | Request from SMB to defer as audited regularly including recent audit in 23/24 (satisfactory assurance). Replaced with CIL audit. | | | | |
| Assurance | Main Accounting | Deferred | Request to defer as delays to new system implementation. | | | | |
| Assurance | Health and Safety | Deferred | Request to defer to 25/26. | | | | |
| Proactive Fraud | Fraud Baseline Assessment | Deferred | Request to defer to Q1 25/26. | | | | |