

Exeter City Council







Report of Internal Audit Activity

Progress Report – end February 2025

Year Ended 31 March 2025

Internal Audit – February 2025: ‘At a Glance’

The Headlines

	2024/25 Reviews completed in the period <ul style="list-style-type: none"> Three assurance audits finalised One assurance audit at draft report stage
	Progress to date <ul style="list-style-type: none"> Reasonable progress YTD 92% of planned audits are complete, at draft report stage, or in progress
	High Organisational Risk <ul style="list-style-type: none"> A high organisational risk has been reported as part of the debt management advisory review.
	Action plan monitoring <ul style="list-style-type: none"> We monitor the council’s implementation of agreed actions The council has 63 active agreed actions
	Plan changes in the year SMB have reviewed the plan to ensure that it continues to focus on the highest risks and priorities. Higher priority audits have replaced five reviews as a result.
	Range of innovations and enhancements made to our internal audit process throughout the year SWAP has set up a monitoring system for actions agreed within audit reports to allow managers to view and update their agreed audit actions. Training has been provided as part of the implementation process. Monitoring reports will enable management and members to review progress being made.

Internal Audit Assurance Work 2024/25

	Feb	YTD
Substantial	0	1
Reasonable	0	2
Limited	3	5
No Assurance	0	0
Follow-up	3	4
Grants	1	2
Advisory & Other	2	2
Total	9	16

Internal Audit Agreed Actions 2024/25

	Feb	YTD
Priority 1	5	6
Priority 2	22	37
Priority 3	9	18
Total	36	61

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:

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Introduction

The Audit and Governance Committee approved the 2024/25 Internal Audit Plan in March 2024. 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.

Where there are control weaknesses that we believe pose a high organisational risk to the council, we draw these findings to the Committee's attention. Due to the significance of the findings relating to our debt management advisory review a high organisational risk has been reported. Refer to **Appendix C** for further details.

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. The council's current position is summarised in **Appendix D**.

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

The table below 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. 'Reasonable' coverage reflects the delivery of planned assurance levels. This table only includes audits that are part of the H1 2024/25 Internal Audit Plan. Audits that have not yet started are shown in italic font.

Table Key	Reasonable internal audit coverage 2024/25	Partial internal audit coverage 2024/25	No internal audit coverage 2024/25
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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, Fraud baseline
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

Internal Audit Progress Update



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. The agreed actions are for audits from 2023/24 and 2024/25. 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 63 active agreed actions, 14 of which has been assessed by services as being complete.

We conduct follow-ups for all No and Limited assurance audits. These reviews assess whether the council has completed agreed actions. Where we have performed a follow-up and concluded that actions are outstanding, we continue to monitor those actions. Once the action owner informs us that they have completed an action, we obtain supporting evidence to show this and then remove the action from our monitoring record.

Fraud Referrals Received through the SWAP confidential reporting inbox

SWAP operates a confidential reporting line that enables individuals to report a fraud confidentially. The following summarises referrals received over a seven month period to the beginning of February 2025.

Type of Referral	Number received
Council Tax – discounts and reductions	13
Council Tax and Benefits	2
Housing Benefit	3
Benefits	1
Social Housing	4
Business rates	1
Other	2

All referrals received via the reporting line are forwarded to an appropriate contact within the Council for review and to take action as appropriate.

Internal Audit Progress Update

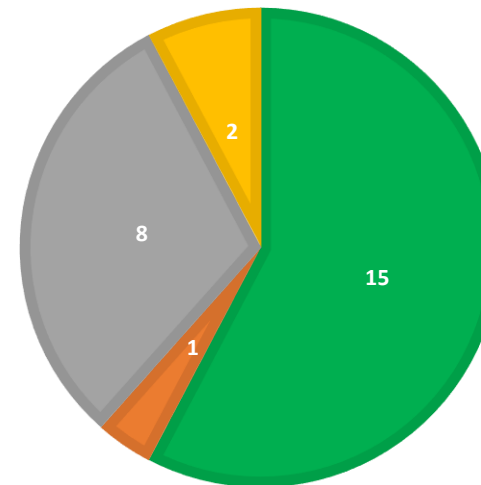
We need adequate audit coverage to provide our annual opinion.



Year to Date Progress

2024/25 PLAN PROGRESS

■ Complete ■ Reporting ■ In progress ■ Not started



Good progress has been made this year with all audit work now started with the exception of two reviews. Initial meetings have been scheduled for both of these and work will start during March.

It is expected that all work will be completed ahead of reporting the annual opinion to committee in June/July.

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 B: No and Limited Assurance Audits

Occupational Health Services – Final Report – February 2025



Audit Objective To establish whether the council has effective contract management, budget management and data protection controls for the Occupational Health service.

Executive Summary

	Assurance Opinion	Management Actions		Organisational Risk Assessment	Low
	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.	Priority 1	1	Our audit work includes areas that we consider have a low organisational risk and potential impact.	
		Priority 2	11		
		Priority 3	5	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.	
		Total	17		

Key Conclusions

	Our sample testing indicates that managers are not asking employees to provide documented consent when referring them to Occupational Health, despite a consent form being readily available. HR has instructed services to complete consent forms and is introducing central checking to ensure compliance.
	The provider has not been meeting most contract performance indicators for over a year. While the council has raised performance concerns, this has not resulted in service improvements. The council has renewed this contract several times without formally assessing alternative market options.
	There are no documented procedures setting out how the referral process should work. HR does not have full oversight over referrals because some services self-refer to Occupational Health without engaging them. This limits HR's ability to effectively manage the service and keep within budget.
	We found differences in the activity lists submitted by the provider, as well as 32 potentially duplicated charges in invoices. The council should investigate these with the provider and where relevant reclaim any overcharges from them.
	We identified several lower priority issues, including the contract not being recorded in the published contract register, HR only raising commitments once the invoice has already been received, the budget being static despite consistent overspending in recent years, and documents not being saved to HR files.

Audit Scope

- We reviewed the risks that:
- ineffective internal processes and/or contract management contributes to the council receiving a poor-quality service, meaning it does not achieve value for money.
 - contract expenditure is not controlled, causing pressure on wider service budgets
 - Personal data is not stored or communicated safely resulting in data breaches
- To do this we assessed the following areas:
- Internal policies and procedures
 - Contract management
 - Budget management
 - Data protection processes
- Data from the periods below have been used for this audit:
- Budget reports from 2022/23 to date
 - Occupational Health invoices from April to August 2024

Further Information

We have assessed this as a low organisational risk because the value of the Occupational Health contract is relatively low and overspends in recent years have been offset by other underspends in HR. While we found several issues during the audit, they can largely be resolved by HR.

HR has agreed to complete 17 actions by 31 December 2025. One action has already been completed.


Appendix B: No and Limited Assurance Audits

CIL and S106 (Governance Arrangements for CIL Receipts) Final Report – November 2024



Audit Objective To review the current governance arrangements in place for the use of CIL receipts.

Executive Summary

	Assurance Opinion		Management Actions		Organisational Risk Assessment	Medium
	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.		Priority 1	1	Our audit work includes areas that we consider have a medium organisational risk and potential impact.	
			Priority 2	6		
			Priority 3	0	The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.	
			Total	7		

Key Conclusions	Audit Scope
<p>There is no overarching governance framework for the comprehensive prioritisation of CIL receipts. Some good practices have been seen for smaller projects through the city grants and ward grants; however, this does not extend to the larger neighbourhood projects or the strategic infrastructure projects, which are greater in value.</p>	<p>The review focused on the governance arrangements for the use of CIL receipts, which the council has identified as an area of concern. The council is currently in negotiations with the Planning Advisory Service to seek assistance with improving its governance arrangements for developer contributions.</p> <p>We provided the council with good examples of governance frameworks for CIL, which will support them in developing their own arrangements.</p>
<p>There is no one committee or panel with responsibility for assessing, recommending and monitoring project proposals funded from CIL receipts.</p>	
<p>An expressions of interest form, or application form is not required, and there is no clear process or set of criteria, for the identification, assessment and prioritisation of larger neighbourhood projects, or strategic infrastructure projects.</p>	
<p>There is a lack of formal, consistent, monitoring and reporting on projects funded through CIL receipts. This creates a gap in oversight and accountability for the use of these funds.</p>	
<p>The Exacom system is not fully utilised to monitor infrastructure spend and project delivery, due to some gaps in financial data. These gaps are also hindering a full reconciliation from being undertaken between Exacom and efinancials, the council's finance system.</p>	

Next Steps

The council has recently met with the Planning Advisory Service, and key stakeholders will be coming together to go through a self-assessment to improve the governance of its developer contributions. The council should use the results of this self-assessment, along with the findings reported within this audit review, to establish a governance framework with details of the governance and administrative procedures needed to facilitate the allocation of CIL monies received from developer contributions.

Appendix B: No and Limited Assurance Audits

Council Tax Arrears Recovery– Final Report – February 2025



Audit Objective To assess the effectiveness of the Council's procedures for identifying, monitoring and collecting Council Tax arrears.

Executive Summary

	Assurance Opinion	Management Actions		Organisational Risk Assessment	Medium
	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.	Priority 1	0	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.	
		Priority 2	3		
		Priority 3	1		
		Total	4		

Key Conclusions

<p>From a sample of 12 council tax liabilities written off, nine had been processed on the customer account without being appropriately authorised by the relevant officer.</p>	Audit Scope The council highlighted its arrears recovery process as an area of concern. The scope of the audit was to review controls relating to the identification, monitoring and collection of Council Tax arrears. To do this we assessed the following controls: <ul style="list-style-type: none"> • Policies and procedures • Payment options • Collection and recovery timetable • Recovery methods • Account Suppression • Write-offs
<p>The council's Debt Collection Policy, covering the recovery of council tax, was last reviewed in 2015 and so is overdue a refresh. In addition, this version does not clearly set out the council's approach to billing, recovery and enforcement.</p>	
<p>Members are not provided with regular updates on performance in relation to the collection of in-year liabilities and historic council tax arrears.</p>	
<p>An income and expenditure analysis had not been undertaken for nine of the 10 accounts reviewed, where a customer has experienced financial difficulties. This was not in line with the council's debt collection policy.</p>	

Further Information

Officers have already made progress with changes to the debt collection policy and the write off procedures, and have also agreed to complete all actions by December 2025.

Appendix C: Advisory Reviews

Sundry Debtors – Final Report – January 2025



Audit Objective To assess the council's sundry debt collection processes.

Executive Summary

Advisory	Assurance Opinion	Management Actions		Organisational Risk Assessment	High
	This was an advisory review.	Priority 1	3	Our audit work includes areas that we consider have a high organisational risk and potential significant impact.	
		Priority 2	2		
		Priority 3	3	Both senior management and the Audit Committee should consider key audit conclusions and resulting outcomes.	
		Total	8		

Key Conclusions

	Our officer survey and sample testing showed there are varying levels of debt recovery action across service areas. Several service areas reported they do not have dedicated debt recovery officers and that they do not take recovery action regularly.	Audit Scope We reviewed the risk that ineffective debt management results in loss of income for the council, increasing pressure on service budgets. To do this we assessed the following controls: <ul style="list-style-type: none"> • Policies and procedures are current and are published • Officers comply with the council's sundry debt collection policy • Management is regularly advised of the current debt position for their service areas(s) • Expert advice is available to assist with debt collection • Cancellation of invoices and write offs are approved in accordance with published guidance.
	There are three separate debt procedure documents 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.	
	Not all service areas receive monthly debt reports. Suppressed debt reports are not issued despite this being a policy requirement.	
	Automatic reminder letters are being issued in accordance with procedures. While the control framework needs strengthening, the council's outstanding sundry debt has reduced from a reported £5.43m to £3.84m since the start of 2024/25.	
		We reviewed a sample of 15 debts raised since January 2024. There were no recent sundry debt write-offs to review. Due to time constraints we did not evaluate cancelled invoices.

Further Information

On 24 October 2024, the ASH system had £3.84m of outstanding sundry debt. We analysed ASH data, and our key findings are summarised in Appendix 1.

We added value in this review by comparing the council's debt recovery and write-off procedures against five other SWAP partner councils.

Finance has agreed to complete 8 actions by 31 December 2025. Responsibility for most of the agreed actions has been allocated to posts that are currently vacant. When the new Income Collection team is resourced, Finance will prepare a new corporate debt recovery and update write-off procedures. Services will then be asked to review their outstanding debts. Finance expects to implement an updated finance system with a new accounts receivable module in 2025.

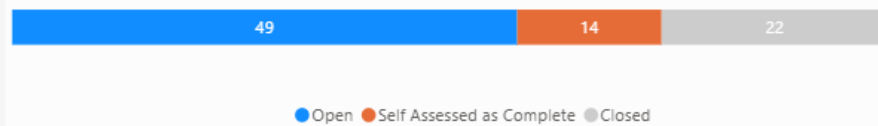
Appendix D: Monitoring of Agreed Actions



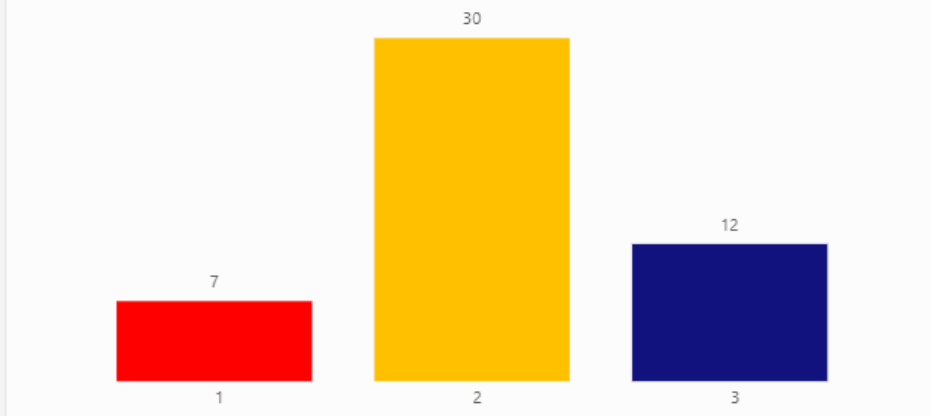
Open Management Actions



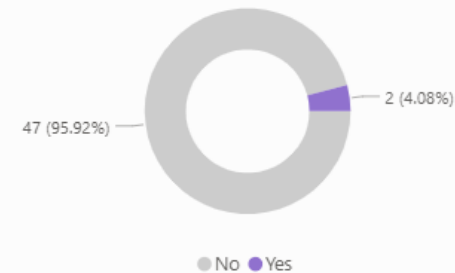
Actions by Status



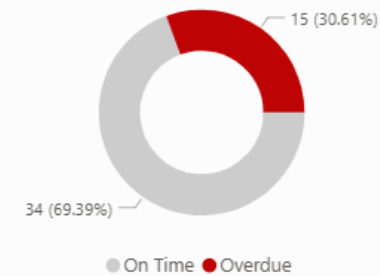
Open Actions by Priority



Open Actions with Extended Dates



Overdue Open Actions



The dashboard above summarises the council's position as of 19 February 2025. Occupational Health Services have yet to be added (these would all fall as not yet due).

Appendix E: Summary of Internal Audit Work

Audit Type	Audit	Status	Assurance Opinion	Total Actions	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Complete							
Assurance	Corporate Property Assets Maintenance & Capital Programme	Final	Limited	8	1	6	1
Assurance	Creditors	Final	Limited	7	0	4	3
Assurance	Waterways	Final	Reasonable	6	0	3	3
Assurance	Housing Benefit Decisions	Final	Reasonable	2	0	1	1
Grant	Disabled Facilities Grant	Final	Substantial	2	0	1	1
Follow-up	CIL & S106 Agreements Follow-up	Final	N/A	All 13 agreed actions implemented			
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
Advisory	Debt Management	Final	N/A	8	3	2	3
Follow-up	Trade Waste Income (23/24)	Complete	N/A	Action tracking complete			
Follow-up	Corporate Credit Card (23/24)	Complete	N/A	Action tracking complete			
Follow-up	VAT (23/24)	Complete	N/A	Action tracking complete			
Grant	NEW Social Housing Decarbonisation Grant	Final	Certified				
Advisory	NFI	Complete	N/A	Initial support for this data matching exercise			

Appendix E: Summary of Internal Audit Work

Audit Type	Audit	Status	Assurance Opinion	Total Actions	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Reporting							
Assurance	Housing Revenue Account Repairs & Maintenance	Draft					
In progress							
Assurance	NEW Budget Management	In progress					
Assurance	Communication Strategy	In progress					
Assurance	Temporary Accommodation	In progress					
Assurance	NEW S106 Governance Arrangements	In progress					
Proactive Fraud	Fraud Baseline Assessment	In progress					
Assurance	Payroll	In progress					
Follow-up	Taxi Licensing (23/24)	In progress					
Follow-up	Sundry Debtors (23/24)	In progress					
Advisory	NEW Introduction of Action Plan tracking to enable monitoring the implementation of agreed actions	Ongoing					
Advisory	Fraud advice and support including confidential reporting	Ongoing					
Not started							
Assurance	Procurement	Not Started		Initial Meeting Scheduled 27/02			
Assurance	Health and Safety	Not Started		Initial Meeting Scheduled 05/03			

Appendix E: Summary of Internal Audit Work

Audit Type	Audit	Status	Assurance Opinion	Total Actions	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
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 .				
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.				