



Agenda for Audit and Governance Committee Thursday, 20th March, 2025, 2.30 pm

Members of Audit and Governance Committee

Councillors: I Barlow, K Bloxham, C Brown, C Burhop (Chair),
R Collins, O Davey (Vice-Chair), C Fitzgerald, M Goodman,
Y Levine and J Whibley

Venue: Council Chamber, Blackdown House

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(or group number 01395 517546)

Tuesday, 11 March 2025

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- 1 Minutes of the previous meetings (Pages 3 - 9)
Minutes from the meetings held on 27 January and 20 February 2025.
- 2 Apologies
- 3 Declarations on interest
Guidance is available online to Councillors and co-opted members on making [declarations of interest](#)
- 4 Public speaking
Information on [public speaking](#) is available online
- 5 Matters of urgency
Information on [matters of urgency](#) is available online
- 6 Confidential/exempt item(s)
To agree any items to be dealt with after the public (including the Press) have been excluded. There are no items which officers recommend should be dealt with in this way.

Matters for Decision

- 7 **Internal Audit Activity Progress Report - Quarter 3 2024/25** (Pages 10 - 36)
- 8 **Internal Audit Plan and 2025/26 Internal Audit Charter** (Pages 37 - 54)
- 9 **External Audit 2024/25 - verbal update**

- 10 **Statement of Accounts 2024/25 - Review of Accounting Policies** (Pages 55 - 72)
- 11 **Financial Monitoring report update** (Pages 73 - 74)
- 12 **Audit and Governance Forward Plan** (Pages 75 - 76)

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[Decision making and equalities](#)

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EAST DEVON DISTRICT COUNCIL

Minutes of the meeting of Audit and Governance Committee held at Council Chamber, Blackdown House on 27 January 2025

Attendance list at end of document

The meeting started at 2.37 pm and ended at 4.15 pm

42 Minutes of the previous meeting

The minutes of the Audit and Governance Committee held on 27 November 2024 were confirmed as a true record.

43 Declarations on interest

None given.

44 Public speaking

There were no members of the public wishing to speak.

45 Matters of urgency

None.

46 Confidential/exempt item(s)

None.

47 Risk project update

The Management Information Officer gave an update to the current work on the project to review and update the risk register and risk management processes. The project linked in with the project to implement a new performance and risks system Inphase, which would change the way risks were recorded and reported. The Directors and Assistant Directors had participated in workshops to scrutinise what each directorate did and to identify their risks as well as risks operationally.

The Chair asked that there be an update at the July's audit committee to how the new performance and risks system was doing and a high-level review of what it was intended for and any key risks.

RESOLVED:

1. That the update on the risk project be noted.
2. That the provided strategic risks update be noted.

48 Strata update on Backup & Business Continuity following DAP presentation - verbal

Robin Barlow, Security Manager for Strata spoke on concerns on cyber-attacks . Back-ups were the undertaken to provide a recovery of the data in the event of an attack. They allowed the council to function if a problem arose with the council's IT systems, as well

as having business continuity and IT recovery plans in place. IT systems were backed up at least nightly with multiple copies being saved on various data storage systems and retained over a time schedule.

The Security Manager also provided a comment on recent Distributed Denial of Service attacks seen against many UK councils' websites and the risk-based approach being adopted to mitigate against these by the Council. There was also a comment on the business continuity considerations when moving IT systems to the cloud, whilst having data also help locally in the Council data centre.

49 **Financial Monitoring report 2024/25 - Month 6 September**

The following report was presented to Cabinet on 27 November 2024. The report was now presented to Audit & Governance Committee to inform the Committee of the financial position for month 6 September 2024 and to note any recommendations to Council.

There was discussion to why the report was not up to date. It was highlighted that the report was received quarterly to Cabinet before coming to the following Audit and Governance Committee. The Finance Manager in response gave a verbal update to the Month 9 report being presented at the next Cabinet.

RESOLVED:

To note the Financial Monitoring month 6 (September) 2024 position and the recommendations to Cabinet on 27 November 2024.

50 **Verbal update on 2023/24 Accounts Audit - Director of Finance and Grant Thornton**

The Director of Finance and Peter Barber from Grant Thornton gave a verbal update to the progress of the 2023/24 Accounts Audit. Both were disappointed that they had not come to a point of being able to complete the audit of accounts. 2023/2024 was always going to be a challenge due to the previous two years having been backstopped hence further work being undertaken in 2023/24 increasing the workload. Grant Thornton agreed to a review session with the Finance Team to understand what changes needed to be made on both sides to be in a better position for the 2024/25 accounts audit. The Director of Finance stated the 2023/24 account was going to be a backstop opinion, he was disappointed that a qualified opinion would be at least another year. He stated that previous years had had interim audits which had merit to spreading out the workload for requests from Grant Thornton and going forward the Director of Finance would welcome this to be the case. Grant Thornton agreed to conveying the working papers requirements to the council to assist the audit approach in a timely manner.

Discussions included the following:

- Audit areas of higher risk need to be a priority
- Member appreciation and thanks to the Finance team and Grant Thornton for working together under these circumstances
- The need to work on an audit timetable in order the Committee to assist in the process
- The need to inform to Full Council of this situation

In answer to the question to what was the position of the council not having a completed audit, Peter Barber from Grant Thornton stated that accounts were fundamental to the

transparency and accountability of the council as an organisation. The importance for a clean opinion for decision-makers that the financial position was true and fair was crucial.

There was to be an extraordinary meeting of the Audit and Governance Committee on the 20th February 2025 to receive the summary report of the 2023/24 Accounts.

The Chair thanked Peter Barber for joining the meeting and providing a update to the position of the 2023/24 accounts audit.

51 **Discussion on SWAP Audit Plan 2025/26 - verbal**

The Chair stated that SWAP were in process of getting 2025/26 plan together and reminded the Committee that they had been asked to contribute to any further suggestions to be added to their forward plan.

52 **Audit and Governance Forward Plan**

Audit and Governance Committee Forward Plan items to be considered at the next committee included:

- Annual Audit Plan 2025/26 and Review of Internal Audit Charter
- Internal Audit Progress Report
- External Auditor's Annual Report
- External Audit Committee update
- External Audit Accounts 2024/25 update
- Partnership Review 2024
- Accounting Policies Approval

Attendance List

Councillors present:

I Barlow
K Bloxham
C Brown
C Burhop (Chair)
O Davey (Vice-Chair)
C Fitzgerald
M Goodman
Y Levine

Councillors also present (for some or all the meeting)

S Hawkins

Officers in attendance:

Amanda Coombes, Democratic Services Officer
Jo Avery, Management Information Officer
Robin Barlow, Compliance and Security Manager - Strata
Simon Davey, Director of Finance
Tracy Hendren, Chief Executive
John Symes, Finance Manager
Melanie Wellman, Director of Governance (Monitoring Officer)
Peter Barber, Grant Thornton

Chair

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Date:

EAST DEVON DISTRICT COUNCIL

Minutes of the meeting of Audit and Governance Committee held at Council Chamber, Blackdown House on 20 February 2025

Attendance list at end of document

The meeting started at 2.30 pm and ended at 3.31 pm

53 Declarations on interest

There were no declarations given.

54 Public speaking

None.

55 Matters of urgency

None.

56 Confidential/exempt item(s)

There were no items which officers recommended should be dealt with in this way.

57 Statement of Accounts 2023/24

The Director of Finance and Peter Barber from Grant Thornton presented the council's Statement of Accounts for 2023/24 to the Committee for approval. Members were asked to note the letters of representation to Grant Thornton in respect of the financial statements for 2023/24. Members were informed there was a national issue with over half of Local Authorities having had their accounts backstopped. For transparency for the Committee a programme of events was being completed for Members to track future progress.

Discussion included the following:

- Assurance that the council was covering the Plan and reaching deadlines set.
- The setting of the Budgets and auditing of the Accounts happened at the same time – this was a problem especially with staffing resource.
- To work with Grant Thornton to get the complicated accounts submitted earlier.
- Work would start on auditing the draft accounts by mid-September.
- Cannot always be assured of the staffing position, the key was resilience in the Finance team. Statutory Accounting was very specialised.
- The need for planning earlier with all concerned working together for the 2024/25 audit of accounts.
- Having a coordinator as one point of contact being tasked to chase up responses from managers.
- Perhaps share working practises with other authorities who had more success with accounts delivery.
- The possibility of contracting out certain elements to external companies.
- The Committee could help the process with useful further debates and discussions.

In response to whether the Plan was presently in place, the Director of Finance stated a detailed timetable had been completed for the production of the Accounts but more

emphasis on the backing papers required. The Finance team needed to be more proactive with the auditors with a managed approach and there were lessons learnt from this year's audit for both the finance team and the audit team. The recruitment of a Principal Accountant was proving difficult. The Director and Finance and Grant Thornton stated their commitment to work together to get the auditing of accounts process working and progressing going forward. External Audit Progress would be a set item on future Audit and Governance Committee agendas.

Cllr Mike Goodman had submitted the following questions which the Chair asked be recorded in the minutes along with the subsequent officer answers.

Question 1:

We all understand that the back stopped is being put in place. What was not covered in the last audit meeting was confirmation that although in each of the last three years the external audit has not been completed. Can the audit committee have confirmation that there is no element of the external audit that has been not investigated at least once during the last three years. If this assurance is not available this does leave the Council at risk and what can be done to rectify this situation?

Answer:

There are many areas that have not been covered at least once during the last 3 years. For 2021/22 and 2022/23 no substantive audit work was undertaken and in 2023/24 whilst lots of work commenced, very little was concluded. So, there is little assurance to be gained from audit coverage over the last 3 years.

Question 2 to Grant Thornton:

The red risk of the financial health of housing review board is a concern. Is Grant Thornton satisfied that everything is being done and can we have an update report at the next audit meeting?

Answer:

We will follow up the significant weakness in respect of the Housing Revenue Account as part of our 2024/25 VFM work. We cannot comment on whether adequate progress is being made in this area until this work is complete.

Question 3:

On page 12 of the Grant Thornton report recommended in 2022/23 that council should strengthen their financial planning of HRB to include updating the 30-year business plan, and that prudent levels of HRB reserves should be maintained over the medium term. This report replaces this with further recommendations. In the view of Grant Thornton was the 2022/23 recommendations delivered and are you confident the new recommendation will be delivered in 2025/26?

Answer:

No, the 2022/23 recommendation was not delivered as this is why the replacement recommendation still includes updating the 30-year business plan as well as other new areas for attention.

Question 4:

Recommendation 2

Are we confident that the adverse variance regarding leisure for 2025/26 be met?

Answer:

Current meetings and analysis indicated that LED would meet their commitment to the 2025/26 budget agreed.

Question 5:

Recommendation 3

How confident can members be that the asset strategy will not prove to be a strain on the 2025/26 outturn budget and when will the strategy be in place?

Answer:

Until the Strategy and Asset Management Plan is produced this is unknown, however this is more likely to affect budget in 2026/27 onwards as the Service with Finance have established a robust programme of works of 2025/26 that is included in the budget.

Question 6:

Recommendation 7

Although templates have been put in place officers are always completing these sections and this needs to be rectified.

Answer:

Staff training currently taking place on new templates and reports will be rejected by ELT unless completed properly. Member session on new templates details was held this week.

Question 7:

Page 40 complaints. It says complaints are regularly being taken to Scrutiny Committee. The last paper was discussed at the Scrutiny Committee in January 2024 and is not on the forward plan for March 2025, can this be corrected?

Questioned passed to Monitoring Officer and asked her to reply direct.

RESOLVED:

To adopt the 2023/24 Statement of Accounts and delegated authority be given to the Chair of the Audit & Governance Committee and the Director of Finance (S151 Officer) to sign when all matters concluded. That the letters of representation be approved and signed by the Chair of the Audit & Governance Committee and the Director of Finance (S151 Officer).

Attendance List

Councillors present:

I Barlow
K Bloxham
C Brown
C Burhop (Chair)
R Collins
O Davey (Vice-Chair)

Officers in attendance:

Amanda Coombes, Democratic Services Officer
Peter Barber, Grant Thornton
Simon Davey, Director of Finance
John Symes, Finance Manager
Anita Williams, Principal Solicitor (Deputy Monitoring Officer)

Councillor apologies:

C Fitzgerald
M Goodman
Y Levine

Report to: Audit and Governance Committee

Date of Meeting 20 March 2025

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Internal Audit Activity Progress Report – March 2025

Report summary:

Internal Audit Activity Progress Report – March 2025.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

The Audit and Governance Committee should our progress against the 2024/25 Internal Audit Plan as of 24 February 2025, and the findings reported.

Reason for recommendation:

The Audit and Governance Committee is responsible for overseeing delivery of the Internal Audit Plan.

Officer: Lisa Fryer, Assistant Director, SWAP Internal Audit Services – lisa.fryer@swapaudit.co.uk

Portfolio(s) (check which apply):

- ☐ Climate Action and Emergency Response
- ☐ Coast, Country and Environment
- ☐ Council and Corporate Co-ordination
- ☐ Communications and Democracy
- ☐ Economy and Assets
- ☒ Finance
- ☐ Strategic Planning
- ☐ Sustainable Homes and Communities
- ☐ Culture, Leisure, Sport and Tourism

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk

Links to background information N/A

Link to [Council Plan](#)

Priorities (check which apply)

- ☐ A supported and engaged community
- ☐ Carbon neutrality and ecological recovery

- ☐ Resilient economy that supports local business
- ☒ Financially secure and improving quality of services

East Devon District Council

Report of Internal Audit Activity

Progress Report – Quarter 3 2024/25

Internal Audit – March 2025: ‘At a Glance’

The Headlines



Reviews completed in the period

- 6 reviews (4 assurance and 2 confidential) have been finalised.



Progress to date

- 95% of planned audits have been completed, are at draft report stage, or are in progress.
- 10 audits are in progress.



High Organisational Risks identified in this period

- We did not identify any High Organisational Risks in this period.



Action plan monitoring

- We monitor the council’s implementation of agreed management actions through our audit management system.
- The council has 136 active agreed management actions, compared to 95 in our last report.



Plan changes in the period

- We have added 3 further reviews to the Internal Audit Plan at management’s request.



Range of innovations and enhancements made to our internal audit process throughout the year

- We have given officers access to our audit management system, so they can view and update their agreed audit actions independently.

Internal Audit Assurance Opinions 2024/25

	Mar	YTD
Substantial	0	1
Reasonable	3	3
Limited	1	3
No Assurance	0	0
Advisory & Other	2	5
Total	6	12

Internal Audit Agreed Actions 2024/25

	Mar	YTD
Priority 1	2	5
Priority 2	23	33
Priority 3	21	32
Total	46	70

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
lisa.fryer@swapaudit.co.uk

Richard Clarke
Chief Executive Officer
richard.clarke@swapaudit.co.uk



Introduction

The Audit and Governance Committee approved the 2024/25 H1 Internal Audit Plan in March 2024, and the H2 Internal Audit Plan in September 2024. This report sets out our progress against the combined 2024/25 Internal Audit Plan. **Appendix E** summarises our progress as of 24 February 2025 and identifies new audits that we have added to the Plan since our last update to Committee.

Each completed audit 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 set out in the SWAP Audit Framework Definitions detailed in **Appendix A**.

To help the Committee in its important monitoring and scrutiny role, **Appendix B** summarises our key findings from No and Limited assurance opinion audits. There is one new Limited assurance audit highlighted in this report.

We conduct follow-ups for all No and Limited assurance audits. Follow-up audits assess whether the council has completed agreed actions. Outcomes from completed follow-up audits are summarised in **Appendix C**. We have not completed any follow-up audits since our last update to the Committee.

It is important that the council implements agreed actions to address the problems 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 set out in **Appendix D**.

Where there are findings that we believe pose a high organisational risk to the council, we summarise these findings separately. We did not identify any high organisational risks in this reporting 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**).

Strategic Risk	Completed Coverage	Planned Coverage
Business failure of a major contractor or significant partner		Supplier Resilience
Adequacy of financial resource planning to deliver the Council's priorities	Planning Application Fees, LED Loss of Income Claim, Treasury Management Procurement Cards	Budget Monitoring, Housing Voids
Major disruption in continuity of computer and telecommunications services	Covered by Strata	
Adequate emergency planning and business continuity		Business Continuity
Failure to ensure the corporate property portfolio is fully compliant with legal requirements	Corporate Property H&S	
Failure to follow data protection legislation requirements & good information governance		LG Transparency Code
Failure to deliver the Enterprise Zone and wider west end development programme		
Increasing homelessness		Temporary Accommodation
Failure to ensure the Council's sustainability		
Failure to adequately protect staff health and safety at work	Corporate Property H&S	
Retaining and strengthen a collective approach to decision making	Ethical Governance	
Climate Change targets not achieved		
Recruitment and retention issues	Establishment System	Payroll
Reputational damage to the organisation		Project Management Framework
Risk of service failure	DFG Process	
Impact of the economic situation on our residents		

Internal Audit Progress Update

Given a risk-based approach is followed, it is important to demonstrate that agreed actions are implemented to reduce risks reported.



Monitoring of Agreed Actions

It is important that the council addresses the problems 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**.

Most of the agreed actions are for audits that took place in 2022/23 or 2023/24. There are a small number of actions from earlier periods. We will continue to monitor these actions until they are completed.

We recognise that it can take longer to implement actions than planned, and sometimes target timescales need changing. The summary in **Appendix D** includes both original and current timescales.

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 close the action on our monitoring record.

Internal Audit Progress Update

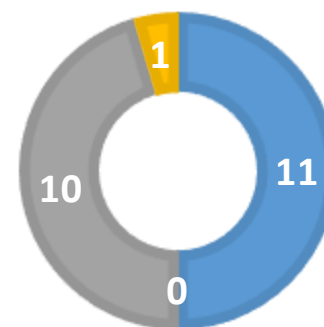
We need adequate audit coverage to provide our annual opinion.



Year to Date Progress

2024/25 INTERNAL AUDIT PLAN PROGRESS

■ Complete ■ Reporting ■ In progress ■ Not started



The chart above summarises our progress against the combined 2024/25 Internal Audit Plan. The combined Plan originally included 19 audits.

Since the year started, 9 additional reviews have been added to the Plan following officer requests. Because of this we have deferred or removed 6 planned audits (see **Appendix E**). This leaves an agreed Plan comprised of 22 audits.

As of 24 February 2025, 11 planned audits (50%) have been completed, 0 (0%) are at draft report stage and 10 (45%) are in progress.

The figures above do not include Housing Electrical Safety, which has also been completed but was part of the 2023/24 Internal Audit Plan.

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 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.

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

EDDC Procurement Cards Proactive Fraud Review 2024-25 – Final Report



Audit Objective Review procurement card transactions from 1st April 2022 to date to identify those that are non-compliant with Policy and to consider risks of fraudulent use.

Executive Summary

	Assurance Opinion	Management Actions	Fraud Risk Assessment	Medium
	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 reviewed.	Priority 1	0	Our review includes areas that we consider have a medium fraud risk and potential for moderate impact. The key conclusions and resulting outcomes should be considered by senior management at the Council.
		Priority 2	3	
		Priority 3	7	
		Total	10	

Key Conclusions

Key Conclusions	Scope
We found 14 instances where the cardholder had not signed the month end summary sheet and 20 instances where no authorisation was provided by a manager. Without a fully completed summary sheet there is reduced assurance that transactions are legitimate and a greater risk of error or fraud.	<p>This review has assessed the residual fraud risk around procurement cards and has focused on procurement card transactions from the 1st April 2023 to 31st March 2024.</p> <p>We have reviewed:</p> <ul style="list-style-type: none"> · Spend data using data analysis and identify any 'red flags' to select a proportionate sample of transactions for review. · Instances of non-compliance with policy or where spend is considered fraudulent. · Policies and procedures governing the issue and use of procurement cards and how users are made aware of this. · Monitoring, reporting and management oversight of procurement cards. <p>A questionnaire was sent out all current cardholders to collect feedback and to highlight areas of focus and improvement. The results are shown in Appendix B of the main report. Some of the themes relate to actions in the report, but the Council should consider the feedback from cardholders and ensure that other areas of concern raised in the survey are addressed.</p>
47% of survey respondents admitted to occasionally or routinely sharing their procurement cards with colleagues. Cardholders had been provided with little or no training on how to use the card and there was a lack of understanding around how cardholders could be targeted by fraudsters. Furthermore, cardholders indicated uncertainty or a lack of knowledge regarding the process for reporting a lost or stolen card.	
Full cardholder documentation was not provided for two of the sampled five cardholders. Without key documents, the organisation and cardholder may be at risk for misuse, fraud, or misunderstandings about the card's intended use.	
The cardholder procedures do not specifically identify what transactions are permitted and not allowed and key document review dates are not recorded. This could create opportunities for inadvertent misuse or misinterpretation of Council funds.	
Spend analysis shows significant spend against Housing Support, Homelessness and Estates Management. Whilst we accept that services are sometimes reactive to demand, the Council should consider use of contracts to reduce costs and to demonstrate achievement of value for money.	

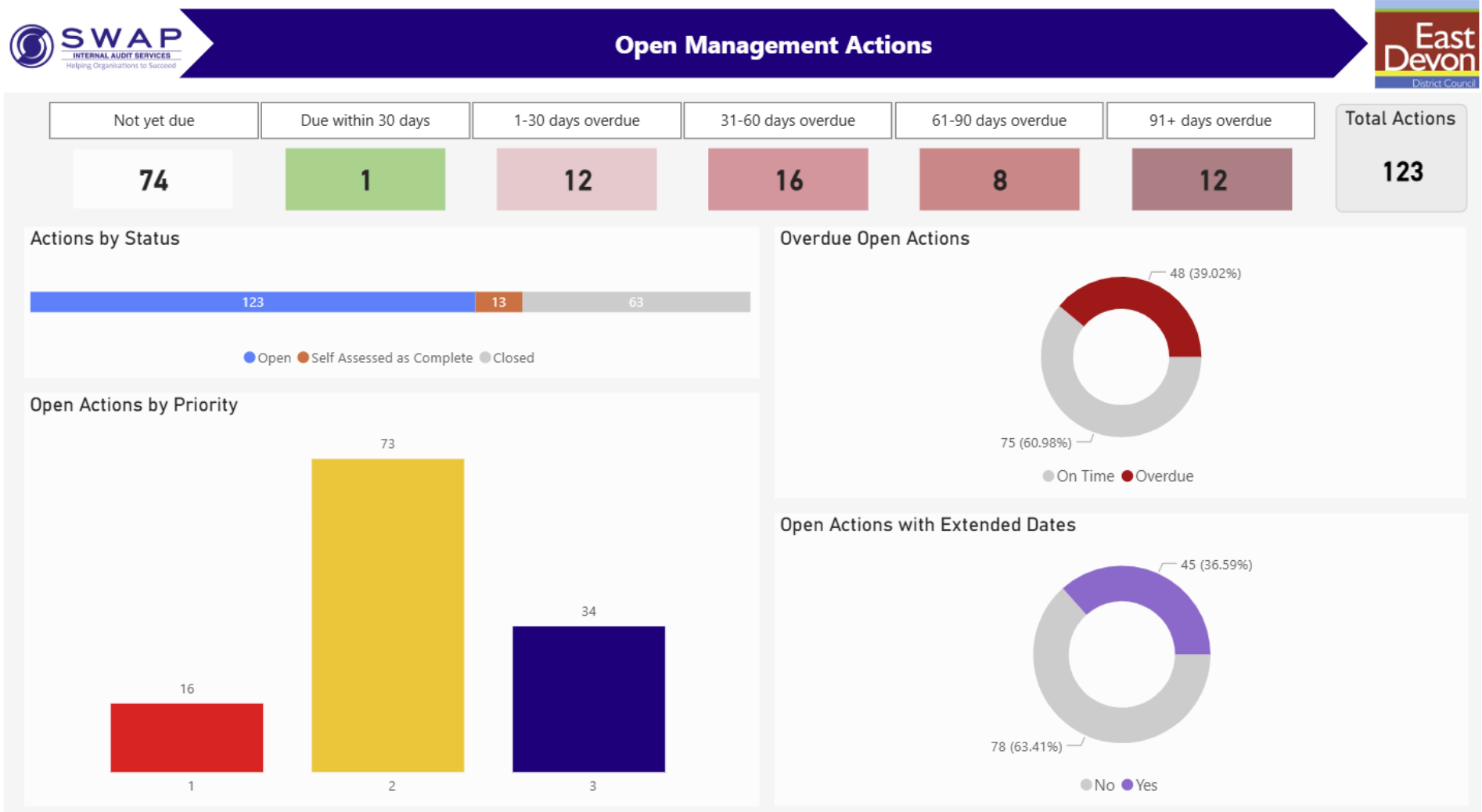
Procurement Cards carry an inherently high risk of fraud and/ or misuse as identified in the latest EDDC Fraud Risk Assessment. While procurement cards offer significant benefits in terms of efficiency and convenience, they also present various fraud risks that can have financial implications. Whilst we have found no evidence of fraudulent transactions, the medium assessment of residual risk is due to non-compliances within the exiting control framework, leaving the Council at increased risk of fraud, error and misuse in this area.

Appendix C: Follow-up Audits

There are no follow-up audits to highlight in this report.

Appendix D: Monitoring of Agreed Actions

The dashboard below summarises the council's position as of 24 February 2025. There are 136 open and self-assessed complete management actions, compared to 95 in our last Committee report. We have included the latest management update for all open and self-assessed complete Priority 1 and 2 actions starting on the next page.



Appendix D: Monitoring of Agreed Actions

Priority 1 Management Actions

AP#	Year	Audit Title	Issue	Original Timescale	Current Timescale	Progress Status	Progress update
2424	23/24	Agency staff and Consultants - Implications of IR35	A CEST assessment could not be located for a consultant.	30/09/2023	31/10/2024	Overdue	October 2024: HR has chased relevant managers for the agency staff identified in the audit and advised that a CEST assessment needs to be undertaken. If no response by 30/10/24 HR will escalate to relevant Director.
2174	23/24	Agency staff and Consultants - Implications of IR35	The council does not have a definitive list of all its off-payroll workers.	30/11/2024	30/11/2024	Overdue	October 2024: HR can now run reports of agency employees on iTrent. HR still need to validate this list and have booked a meeting with Finance in November to discuss how this will be managed on an ongoing basis.
2413	23/24	Agency staff and Consultants - Implications of IR35	Employment Status Assessment records are not complete.	31/10/2024	28/02/2025	Evidence Check	February 2025: The Use of Temporary Workers Policy has now been approved by the Personnel Committee and published on the intranet. The policy update has also been announced to staff through the weekly Stay Informed Newsletter.
4322	23/24	Housing Electrical Safety	The council does not monitor how quickly its contractors complete electrical remedial works.	31/03/2025	31/03/2025	Evidence Check	October 2024: Housing has advised the council is now monitoring the time between raising remedial works orders and completion of works but has not yet adopted the recommended KPI.
4337	23/24	Housing Electrical Safety	The council records electrical safety compliance information and evidence in three places, meaning there is no one complete electrical safety compliance record.	01/04/2025	01/04/2025	In Progress	
4473	23/24	Housing Electrical Safety	There are discrepancies between the compliance figures prepared by a Compliance officer and the reported performance figures.	01/04/2025	01/04/2025	In Progress	
2398	23/24	Information Governance Policies and Compliance with Retention Policy	The council's Data Protection and Data Retention Policy, Information Security Policy and Information Security Incident Policy are overdue a review.	31/01/2024	31/10/2024	Overdue	October 2024: The Data Protection and Data Retention Policy and Information Security Incident Management Policy have now been updated. The Information Governance team will check whether Strata has updated the Information Security Policy.

Appendix D: Monitoring of Agreed Actions

2519	23/24	Information Governance Policies and Compliance with Retention Policy	The council's Information Asset Register is incomplete and has not been reviewed since its creation in January 2018.	31/10/2024	31/12/2024	Overdue	October 2024: The Information Governance team is working on the Information Asset Register (IAR).
2399	23/24	Information Governance Policies and Compliance with Retention Policy	The council's Data Protection and Data Retention Policy, Information Security Policy and Information Security Incident Policy are overdue a review.	31/03/2024	31/03/2025	In Progress	October 2024: Some, but not all, of the missing policies are now in place. Some of the missing policies fall under Strata or other officers, so the Information Governance team will confirm what progress has been made on those policies.
2785	23/24	Information Governance Policies and Compliance with Retention Policy	The Record of Processing Activities (ROPA) is dated 2018; this has not been updated since and there are some gaps within the document.	31/03/2024	31/03/2025	In Progress	October 2024: The Information Governance team has been working on the Information Asset Register (IAR). Once the IAR is complete, the Information Governance team will conduct the data mapping exercise as recommended.
2726	23/24	Performance Management	There is no Performance Management Framework which details how performance is to be managed and monitored across the council.	31/03/2024	01/04/2025	In Progress	October 2024: The council is now procuring a new performance and risk management system, InPhase, which it hopes to implement in early 2025. This implementation will affect what needs to be included in the Performance Management Framework.
3494	23/24	Planning Enforcement	There is no guidance setting out how officers should record planning enforcement cases.	30/06/2024	30/06/2024	Overdue	October 2024: The issues identified in the audit have been discussed with officers, but written guidance is not yet in place.
3762	23/24	Planning Enforcement	For almost all cases we reviewed, there was no evidence determinations had been suitably authorised.	30/06/2024	30/06/2024	Overdue	October 2024: Responsible officer to confirm whether the Scheme of Delegation has been updated.
803	21/22	Small Works and Services Contract Management	The council's Contract Register is incomplete.	31/03/2024	30/11/2024	Overdue	February 2025: We expect that all the outstanding actions from this audit will be superseded by the planned Contract Management audit that will take place in the first half of 2025/26.
5344	23/24	Volunteer Management	The Volunteering Policy does not include guidance on volunteer health and safety requirements, supervision, performance management or disclosure and barring clearance.	31/01/2025	31/01/2025	Overdue	February 2025: The Personnel Committee has approved the updated Use of Volunteers Policy. The policy update has also been announced to staff through the weekly Stay Informed Newsletter. This update

Appendix D: Monitoring of Agreed Actions

states a supervisor checklist, engagement letter and further guidance is due to be published soon.

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Priority 2 Management Actions

AP#	Year	Audit Title	Issue	Original Timescale	Current Timescale	Progress Status	Progress update
2416	23/24	Agency staff and Consultants - Implications of IR35	Notification of Outcome of Employment Status Assessment to the Off-Payroll Worker	30/09/2023	31/01/2025	Overdue	February 2025: The Personnel Committee has approved the updated Use of Temporary Workers Policy. The Policy confirms that recruiting managers must communicate the outcomes of the CEST assessment to worker using a template held on the council's intranet.
2186	23/24	Agency staff and Consultants - Implications of IR35	Managers have not received any specific training in relation to the IR35 legislation. There is no separate corporate induction checklist for senior managers.	31/03/2025	31/03/2025	In Progress	February 2025: The Personnel Committee has approved the updated Use of Temporary Workers Policy. HR now needs to roll out training for managers.
2575	22/23	Climate Change	Performance Monitoring and Reporting needs further definition and improvement.	01/04/2024	01/04/2024	Overdue	October 2024: The 2024/25 Action plan has been published and will be refreshed again for 2025/26 once the updated strategy is agreed. There are regular updates on climate change to Scrutiny Committee and it is a standing agenda item on SLT. SWEEG will be assisting us with performance reporting methodology once the new strategy is published. The council is introducing a new performance management system in early 2025, and it hoped this will facilitate performance reporting across multiple data sources.
2572	22/23	Climate Change	The action plan is not SMART (specific, measurable, achievable, realistic and timely).	01/04/2025	01/04/2025	In Progress	October 2024: The council expects to publish the updated Strategy by 1 April 2025, pending approval from SLT and public consultation.
2574	22/23	Climate Change	There is no dedicated body/committee with oversight of the Climate Change Strategy.	01/04/2025	01/04/2025	In Progress	October 2024: The next reports on Climate Change for Scrutiny Committee are due in November 2024. The new Council Plan requires quarterly reporting going forward. There are ongoing discussions about the possibility of introducing a board that will focus on climate change. This action will remain open until the council has reached a determination on this.

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4985	24/25	Corporate Property Health & Safety	The compliance spreadsheet does not reflect the correct interval for fire alarm maintenance checks. Additional emergency lighting tests take place but are not separately recorded in the compliance spreadsheet.	01/06/2025	01/06/2025	In Progress	<i>New issue</i>
3103	22/23	Cranbrook Town Development	Although outline projects have been determined, Cranbrook Town Centre remains at a programme phase. Programme governance requirements are necessary as the project progresses.	31/10/2024	31/03/2025	In Progress	February 2025: The Cranbrook Town Centre Master Plan has now been adopted and an implementation plan reported to the Cranbrook Placemaking Group. Further work on RAID management still needs to be completed.
2443	23/24	Damp and Mould in Council Homes	Stock condition surveys are currently being undertaken across all council properties. There have been cases where tenants have subsequently contacted the council stating that they have an issue with damp and mould.	30/09/2023	31/10/2024	Evidence Check	February 2025: The Housing service has advised they have analysed damp and mould issues identified through the stock condition survey and matched back to order records to ensure issues are being remediated when identified. We have requested evidence of this.
2588	23/24	Damp and Mould in Council Homes	Damp and mould complaints are not tracked and monitored through the housing system.	30/09/2023	31/03/2025	In Progress	October 2024: Housing continues to use a spreadsheet to record complaints. Once the council implements the new InPhase system, Housing expects that all complaints data will be imported into that system. This will mean all complaints are held in one place, which will facilitate corporate oversight.
809	22/23	Debtors (Accounts Receivable)	Sundry Debtor procedures are incomplete.	31/10/2024	31/03/2025	In Progress	October 2024: Finance is in the process of implementing a new financial management system which will necessitate further updates to sundry debtor processes. Finance will update and finalise the sundry debtor procedures once the new system is in place.
5554	24/25	Disabled Facilities Grant (DFG) Process	Quality monitoring & review of completed works	31/01/2025	31/01/2025	Overdue	<i>New issue</i>
5553	24/25	Disabled Facilities Grant (DFG) Process	Selection of contractors for works	01/04/2025	01/04/2025	In Progress	<i>New issue</i>

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3865	23/24	Elections	There are gaps in terms of the the Data Sharing Agreements that the team is required to have in place	30/09/2024	31/12/2024	Overdue	October 2024: Electoral Services has sought advice from the Information Governance team regarding data sharing with Registration Services. A Data Sharing Agreement with Registration Services is not yet in place.
3864	23/24	Elections	Required actions following an error and complaint in a previous election have not been completed in full.	31/07/2024	01/05/2025	In Progress	October 2024: Electoral Services has now introduced a complaints log, but it is not yet populated. Ahead of the 2024 General and PCC Elections, Electoral Services prepared a PowerPoint presentation that includes procedures for that election. This will be updated at each election. Electoral Services are now preparing a formal procedure document.
2053	23/24	Emergency Planning	The council does not hold its own Local Risk Register.	01/01/2025	31/03/2025	Evidence Check	February 2025: Reported as completed, evidence check in progress.
3177	23/24	Establishment Control	There are no establishment reconciliations outside of the annual budget setting process.	31/12/2024	31/12/2024	Overdue	October 2024: HR is meeting with Finance in November 2024 to discuss and agree what process is needed going forward.
531	24/25	Establishment System Controls	Officers believe iTrent has audit trail functionality, but it is not easily accessible or usable.	31/12/2024	31/12/2024	Overdue	
4823	24/25	Ethical Governance	There is no process to remind Members that they must declare any gifts or hospitality they have received within 28 days of receipt.	31/12/2024	31/12/2024	Overdue	
4817	24/25	Ethical Governance	Some Members have not completed Code of Conduct training. There is no process to remind non-attendees of the requirement to complete training sessions.	31/01/2025	31/01/2025	Overdue	
4822	24/25	Ethical Governance	There is no process to ensure staff complete annual declarations of interest and return these to Democratic Services.	31/01/2025	31/01/2025	Overdue	
4824	24/25	Ethical Governance	There is no official process or form for staff to declare receipt of gifts or hospitality, and staff are not reminded to make declarations.	31/01/2025	31/01/2025	Overdue	

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4818	24/25	Ethical Governance	There is no process to remind staff to refresh their understanding of the Code of Conduct.	31/03/2025	31/03/2025	In Progress	
4821	24/25	Ethical Governance	Members are not regularly reminded to ensure their declarations of interest published on the Mod Gov system are up to date.	31/03/2025	31/03/2025	In Progress	
4474	23/24	Housing Electrical Safety	The Housing service does not retain evidence confirming reported KPI figures.	31/10/2024	01/04/2025	In Progress	
4338	23/24	Housing Electrical Safety	There is no quality assurance of electrical safety compliance information recorded in Onehousing or the compliance spreadsheet.	01/04/2025	01/04/2025	Evidence Check	October 2024: Housing reported that spot checks have now been introduced. Evidence is required to close the action.
2795	23/24	Housing Whistleblowing Concerns Follow Up	The satisfaction survey process has not targeted all tenants.	30/06/2022	31/10/2024	Evidence Check	February 2025: Housing has provided evidence of two recent Tenant Satisfaction Measure surveys completed by third party providers. Outcomes from the surveys have been reported to Housing Review Board. We are awaiting repairs satisfaction data from the service.
2795	23/24	Housing Whistleblowing Concerns Follow Up	Job Completion Workflow	30/06/2022	01/04/2025	In Progress	October 2024: Housing is conducting of review of open jobs that have been left open on the OneHousing system. Housing still has concerns that officers are not recording all information in the right place, and intends to build this into the officer performance management process.
2918	23/24	Housing Whistleblowing Concerns Follow Up	Job Completion Workflow	30/06/2023	01/04/2025	In Progress	October 2024: The Housing Systems team is looking at possible system fixes that will prevent potentially contradictory or misleading information in status fields. Housing has introduced weekly validation of works orders and this process is identifying issues more quickly.
2518	23/24	Information Governance Policies and Compliance with Retention Policy	The council has not reviewed its data retention schedule since January 2020.	31/03/2024	29/11/2024	Overdue	October 2024: The Document Retention Policy (DRP) has been updated and published. Assistant Directors are now reviewing their sections of the DRP schedules to ensure it is up to date. A new column to record the disposal decision (the action to be taken once the retention period has passed) has been added to the schedule. Discussions

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page 29	2584	23/24	Information Governance Policies and Compliance with Retention Policy	The council does not currently undertake any checks to ensure records are being held in accordance with the Data Retention Schedule.	31/12/2024	31/12/2024	Overdue	around the DRP schedule are ongoing at the Information Governance working group. October 2024 This action is now on track.
	2692	23/24	Information Governance Policies and Compliance with Retention Policy	There is a lack of assurance that records both held and deleted on individual officer drives and mailboxes are stored in line with the council's document retention requirements.	30/04/2024	31/12/2024	Overdue	October 2024: The Data Retention Policy has now been updated. Assistant Directors are now reviewing the Data Retention Schedules included in the Policy, which sets out the different types of documentation and how they should be managed. Once this review is complete, the Policy will be communicated to officers.
	2622	23/24	Information Governance Policies and Compliance with Retention Policy	No specific training is given on data retention to inform staff of their responsibilities.	31/03/2024	31/07/2025	In Progress	October 2024: This has not yet progressed. The Information Governance team will work with HR and Strata to prepare a data retention training module. HR is introducing a process that will give Executive Leadership Team oversight of all mandatory training, including compliance with refresher training.
	5338	22/23	Out of Hours Schemes	The council's Out of Hours schemes do not reflect current practice. Out of Hours scheme rates have not been reviewed for several years. We identified several other improvements that could be made to current practice.	30/04/2025	30/04/2025	In Progress	February 2025: Progress was delayed because of extended absence of HR Lead. HR is developing a scheme but this may necessitate changes to employee contracts. The new policy will need to be approved by Personnel Committee.
	2836	23/24	Performance Management	Action is adequately documented where performance has not met the required standard.	31/03/2024	31/03/2025	In Progress	October 2024: The council is implementing a new system, InPhase. There is potential to set system requirements so updates cannot be made without supporting commentary. The new Performance Management Framework will include updated guidance, and officers will be trained on both InPhase and the new Framework.
	2838	23/24	Performance Management	Supporting information provided with Performance Indicator Reports could be improved to aid understanding.	31/03/2024	31/03/2025	In Progress	October 2024: Officers met with Chair of the Scrutiny Committee to review all performance indicators. This has resolved some of the issues raised. However, the current system does not have all the functionality needed to address all issues raised. The council is now procuring a

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page 30	2907	23/24	Performance Management	The Performance Indicator report is missing some indicators for key priorities at the council.	31/03/2024	31/03/2025	Evidence Check	<p>new system that will have better reporting functionality and can provide forecast data.</p> <p>February 2025:</p> <p>The council has introduced a new Council Plan which includes 46 key actions linked to 105 success measures. The first reports using the new key actions and success measures were presented to Cabinet in November 2024.</p>
	2908	23/24	Performance Management	There is no validation of the data that is input into SPAR.net before it is included in the performance reports.	31/03/2024	31/03/2025	In Progress	<p>The Management Information Officer is using a spreadsheet to monitor performance against the new metrics until the new InPhase system is implemented in early 2025.</p> <p>October 2024:</p> <p>In InPhase, data will be entered either directly by officers or automatically through an Application Programming Interface (API). The API functions will be tested when the system is implemented. Requirements for data validation will be included in the Performance Management Framework. There is also a dependence on the council implementing a new Data Quality Policy which will set out expected standards.</p>
	2916	23/24	Performance Management	Indicators are not always complete, despite reminders.	31/03/2024	31/03/2025	In Progress	<p>October 2024:</p> <p>The new performance management system, InPhase, will issue automatic emails reminders to officers when they need to provide updates. There will also now be an escalation route to the Director of Governance and Corporate Services who is now responsible for this area. The new Performance Management Framework will include the escalation procedure.</p>
	2917	23/24	Performance Management	There has historically been little challenge to the quarterly performance indicator reports presented to SLT.	31/12/2023	31/03/2025	In Progress	<p>October 2024:</p> <p>The council is developing a performance culture, which will be assisted by the new performance system (InPhase) and new framework. The SLT has an important role in introducing and enforcing this new culture.</p>
	4360	24/25	Planning Application Fees	There is no active reconciliation between payments made through the planning	31/08/2024	31/08/2024	Evidence Check	<p>February 2025:</p>

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			portal, or using the online payment tool, and the income received into the relevant account code in efinancials.				
785	/21	Procurement	Project Notification Forms (PNFs) are not always completed as required.	29/02/2024	29/02/2024	Overdue	Planning has attempted to introduce a reconciliation, but due to variables in the systems involved and timings and methods of payments, they have found this difficult to do efficiently and effectively. Officers are looking into alternative methods. October 2024: DCC has provided a procurement training for staff this year which included Procurement Notification Forms. However, the Procurement Notification Form has not been updated to include a field specifying whether a framework agreement has been used, therefore this action is still in progress.
5026	24/25	Procurement Cards	Lack of specific fraud and card training	30/06/2025	30/06/2025	In Progress	New issue
5029	24/25	Procurement Cards	Sharing of cards	30/06/2025	30/06/2025	In Progress	New issue
5137	24/25	Procurement Cards	Unsigned monthly summary sheets	30/06/2025	30/06/2025	In Progress	New issue
3719	23/24	Recruitment and On-Boarding	There is no HR oversight to ensure all recruiting managers had completed recruitment and onboarding training, and no monitoring that all new employees complete induction training.	30/04/2024	30/04/2025	In Progress	October 2024: Face to face training records are now held in iTrent and HR can produce reports showing who has completed the training. There is no regular monitoring of this at the moment due to a review of management development programmes that is due to complete in 2025.
792	21/22	Risk Management	The process for ensuring that any risks identified as part of decision making are added to the risk registers is not embedded.	29/03/2024	29/03/2024	Overdue	October 2024: An updated Risk Management Policy and Guidance document was approved by Audit and Governance Committee in January 2024. However, the Policy and Guidance document does not include a clear process or responsibilities for ensuring that risks highlighted in decision reports are entered onto the corporate risk register.
793	21/22	Risk Management	Not all Service Planning Risks appear on the risk register.	31/03/2024	31/08/2025	In Progress	February 2025: This is still a work in progress. The council has been undergoing a risk review. Directorate plans for 2025/26 have been produced but these do not include service level risks. Council Plan risks have been aligned to those on the corporate risk register for the Finance directorate, but risk reviews are still ongoing. The Management

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805 page 32	795	21/22	Risk Management	Risks are not aligned to council priorities.	31/03/2024	31/08/2025	In Progress	Information Officer is recording information on a spreadsheet so this can be uploaded onto the new InPhase system when this goes live. February 2025: This is still a work in progress. The council has been undergoing a risk review. Directorate plans for 2025/26 have been produced but these do not include service level risks. Council Plan risks have been aligned to those on the corporate risk register for the Finance directorate, but risk reviews are still ongoing.
	804	21/22	Small Works and Services Contract Management	The Contract Standing Orders do not explain how smaller contracts should be monitored.	31/03/2024	31/03/2024	Overdue	February 2025: We expect that all of the outstanding actions from this audit will be superseded by the planned Contract Management audit that will take place in the first half of 2025/26.
	3310	23/24	Strategic Partnerships	The Partnership Register does not record what type of agreement is in place. Information was lacking in the two informal agreements reviewed.	31/05/2024	30/04/2025	Evidence Check	February 2025: The Audit and Governance Committee approved the updated Partnership Policy in November 2024. The policy includes a model partnership agreement that the Link Officer can refer to so as to ensure the minimum partnership requirements are obtained. The next Partnership Review is due to be presented to the Committee in March 2025.
	3312	23/24	Strategic Partnerships	The approach taken by the council to show how its partnerships contribute to its corporate priorities is not always meaningful.	31/05/2024	30/04/2025	Evidence Check	February 2025: As part of the next Partnerships Review, managers will be asked to declare how each partnership supports the council's corporate objectives. The next Review is due to be presented to Audit and Governance Committee in March 2025.
	3317	23/24	Strategic Partnerships	Not all partnerships identified in service plans appear on the partnership register.	31/05/2024	30/04/2025	In Progress	February 2025 Due to the new InPhase system being implemented and the level of ongoing change, the council has decided it will produce directorate plans in 2025/26 rather than traditional service plans. The directorate plan template has been simplified so it only requires

Appendix D: Monitoring of Agreed Actions

							specific information. This does not include details of relevant partnerships. This may be re-introduced for 2026/27. However, current partnerships should be captured via the annual Partnership Review.
3319	23/24	Strategic Partnerships	There was limited evidence of internal performance reviews to determine value for money, and no evidence that the council monitors the performance of its partnerships.	31/05/2024	30/04/2025	Evidence Check	February 2025: The new Partnership Policy introduces a requirement for annual self-assessments of partnerships, to be signed off at director level. Evidence check ongoing.
5288	24/25	Treasury Management	The Finance service has not kept evidence showing authorisation for loans it has taken out.	30/11/2024	30/11/2024	Overdue	New issue
3516	23/24	Volunteer Management	Neither the Gallery nor the Countryside teams obtain DBS clearance for their volunteers.	30/04/2024	30/04/2024	Overdue	
3564	23/24	Volunteer Management	There is no evidence that volunteers in the Gallery have received and understood their induction. No induction checklist is used for Countryside volunteers.	30/04/2024	30/04/2024	Overdue	
3574	23/24	Volunteer Management	The Countryside team have not created a risk assessment that covers the risks for volunteers working in the Discovery Hut.	30/04/2024	30/04/2024	Overdue	
3565	23/24	Volunteer Management	There is no formal health and safety training as part of the volunteer's induction.	30/04/2024	31/01/2025	Evidence Check	February 2025: The updated Use of Volunteers Policy specifies that the supervisor must ensure that the volunteer is aware of the relevant risk assessment and control measures in place, and that the council will provide training if the volunteer is expected to work alone. We have requested further information to confirm volunteer role risk assessments have been completed.
3572	23/24	Volunteer Management	There are variations in performance management and supervision arrangements for Gallery and Countryside volunteers.	30/04/2024	31/01/2025	Overdue	
806	21/22	Workforce Planning	The People Strategy in place is not an active document.	30/06/2023	31/03/2025	In Progress	October 2024: The People Strategy forms part of the Council Plan action plan, with an agreed completion date of March 2025.

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	Planning Application Fees	Final	Substantial	2	0	1	1
Advisory	LED Exmouth Pavilion Loss of Income Claim	Final	N/A	1	0	0	1
Assurance	Housing Electrical Safety <i>(from 2023/24 Internal Audit Plan)</i>	Final	Limited	9	3	2	4
Assurance	Ethical Governance	Final	Limited	9	0	6	3
Advisory	Establishment System Controls	Final	N/A	3	0	1	2
N/A	Confidential Request #4 (3630)	Final	N/A	0	0	0	0
N/A	Confidential Request #2 (3271)	Final	N/A	9	1	8	0
N/A	Confidential Request #1 (3026)	Final	N/A	11	1	8	2
Assurance	Corporate Property Health and Safety	Final	Reasonable	4	0	0	4
Assurance	Treasury Management	Final	Reasonable	6	0	2	4
Assurance	Disabled Facilities Grants Process	Final	Reasonable	6	0	2	4
Assurance	Procurement Cards	Final	Limited	10	0	3	7
In progress							
Assurance	Supplier Resilience	In progress					
Assurance	Temporary Accommodation	In progress					
Assurance	Business Continuity	In progress					

Appendix E: Summary of Internal Audit Work

Audit Type	Audit	Status	Assurance Opinion	Total Actions	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Assurance	Budget Monitoring	In progress					
Assurance	Local Government Transparency Code	In progress					
Follow Up	Strategic Partnerships	In progress					
Advisory	NEW: Project Management Framework	In progress					
N/A	NEW: Confidential Review #5 (3852)	In progress					
Assurance	Housing Voids	In progress					
Assurance	Payroll	In progress					
Not started							
N/A	NEW: Confidential Review #6 (3826)	Not started					
Deferred and Removed							
Assurance	Community Safety/Anti-Social Behaviour	Deferred	Deferred to 2025/26 due to service restructure. Included in the proposed 2025/26 Half 1 Internal Audit Plan.				
Assurance	Firmstep – GDPR Compliance	Deferred	Deferred due to anticipated DWP review.				
Assurance	Project Management of Major Engineering Schemes	Deferred	Deferred due to service resource pressures. Replaced with Project Management Framework advisory review.				
N/A	Confidential Request #3 (3272)	Removed	Officers completed work that means this review is no longer needed. Replaced by Confidential Request #5.				
Assurance	Creditors	Deferred	Deferred due to make room for confidential audit requests.				

Appendix E: Summary of Internal Audit Work

Audit Type	Audit	Status	Assurance Opinion	Total Actions	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Assurance	Section 106 and CIL	Deferred	Deferred to 2025/26 due to make room for confidential audit requests. Included in the proposed 2025/26 Half 1 Internal Audit Plan.				

Report to: Audit and Governance Committee

Date of Meeting 20 March 2025

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



2025/26 Half 1 Internal Audit Plan and 2025/26 Internal Audit Charter

Report summary:

Following input from Audit and Governance Committee members and senior management, SWAP Internal Audit Services (SWAP) has prepared the proposed Internal Audit Plan for Half 1 of 2025/26 (1 April to 30 September 2025).

SWAP now requires formal approval from the Audit and Governance Committee to proceed with the Plan.

The Global Internal Audit Standards require chief audit executives to develop and maintain an Internal Audit Charter. The Internal Audit Charter must set out the internal audit function's:

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

The Internal Audit Charter must be approved by the board that oversees the internal audit function. At East Devon District Council, this board is the Audit and Governance Committee.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

The Audit and Governance Committee should consider and approve the 2025/26 Half 1 Internal Audit Plan and the 2025/26 Internal Audit Charter.

Reason for recommendation:

The Audit and Governance Committee is responsible for approving both the Internal Audit Plan and the Internal Audit Charter.

Officer: Lisa Fryer, Assistant Director, SWAP Internal Audit Services – lisa.fryer@swapaudit.co.uk

Portfolio(s) (check which apply):

- ☐ Climate Action and Emergency Response
- ☐ Coast, Country and Environment
- ☐ Council and Corporate Co-ordination
- ☐ Communications and Democracy

- ☐ Economy and Assets
- ☒ Finance
- ☐ Strategic Planning
- ☐ Sustainable Homes and Communities
- ☐ Culture, Leisure, Sport and Tourism

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk

Links to background information N/A

Link to [Council Plan](#)

Priorities (check which apply)

- ☒ A supported and engaged community
- ☒ Carbon neutrality and ecological recovery
- ☒ Resilient economy that supports local business
- ☒ Financially secure and improving quality of services

East Devon District Council

Proposed 2025/26 Half 1 Internal Audit Plan and 2025/26 Internal Audit Charter

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The Internal Audit Plan: Summary

The Internal Audit Plan is a summary of the proposed audit coverage that SWAP will deliver in the 2025/26 financial year.

Delivering the Internal Audit Plan will enable SWAP to provide a comprehensive annual internal audit opinion.

Introduction and Objective of the Internal Audit Plan

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

Before the start of each financial year, SWAP works with senior management and members to create a proposed Internal Audit Plan.

The purpose of the Plan is to enable SWAP to provide an informed annual audit opinion, based on adequate coverage of key business objectives, risks, and risk management procedures.

Outcomes from our audits provide senior management and members with an independent judgment of the extent to which the council is adequately managing its current risks.

Internal audits are just one source of assurance. Internal audit outcomes should be considered alongside other sources as part of the 'three lines of defence' model. The key findings from our audits should also be considered alongside the Annual Governance Statement (AGS).

The council's senior management and the Audit and Governance Committee are responsible for confirming that the proposed Internal Audit Plan is adequate to provide independent assurance against the council's key risks.

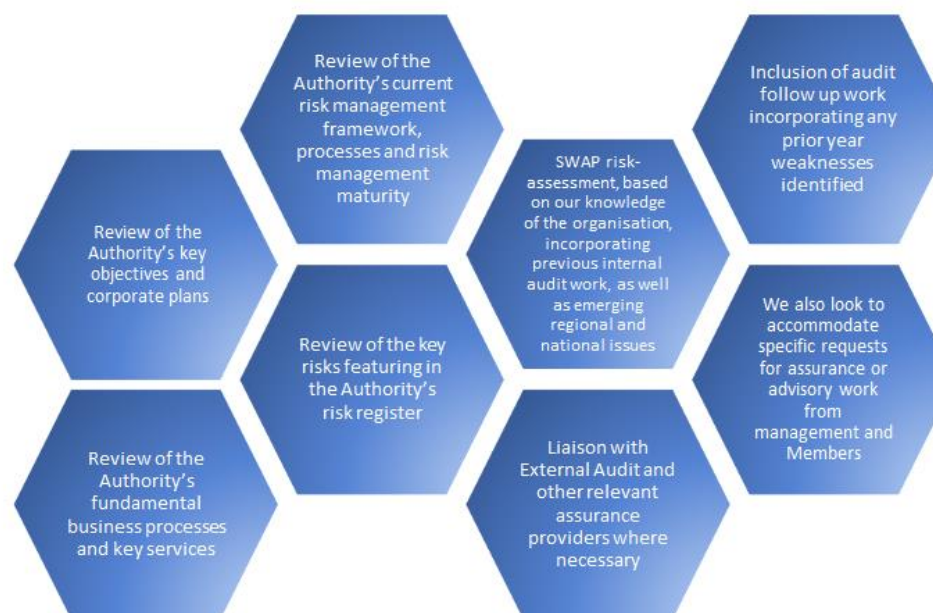


The Internal Audit Plan: Approach

To develop the Plan, SWAP consulted senior management and members. Additionally, SWAP reviewed key documentation to gain a comprehensive understanding of the council's strategies, key objectives, risks, and risk management processes.

Approach to Internal Audit Planning for 2025/26

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



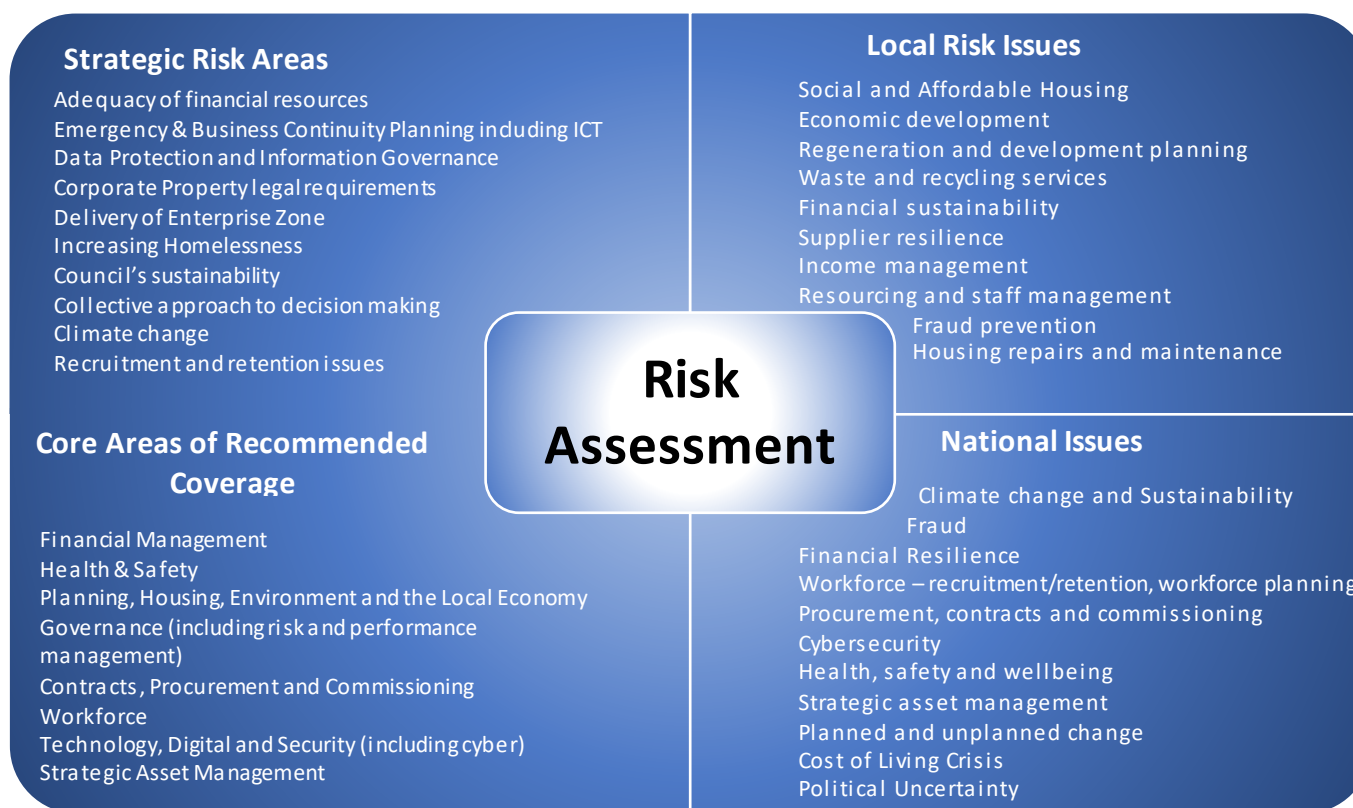
Our approach to delivering the Internal Audit Plan is to stay flexible so we can respond to new and emerging risks. We have adopted an agile rolling plan. While this approach is continuous, planned work will only cover a six-month period, supported by a rolling backlog for future consideration. We will assess audit priorities with senior management and Audit and Governance Committee members.

The Internal Audit Plan: Risk Assessment

Conducting a documented risk assessment prior to developing an internal audit plan ensures that all relevant areas are sufficiently and appropriately considered.

Internal Audit Annual Risk Assessment

Our 2025/26 Internal Audit Plan is based on a documented risk assessment, which SWAP will review regularly. The assessment covers EDDC's corporate and operational risks and priorities, as well as the broader SWAP top 10 risk themes and Healthy Organisation areas. Below is a summary of the risk assessment outcomes for East Devon District Council:



The Internal Audit Plan: Risk Assessment

Following our SWAP Risk Assessment above, we have set out how the proposed 2025/26 Half 1 Plan presented in Appendix A provides coverage of the council's key corporate objectives and risks, as well as our core areas of recommended audit coverage.

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

Internal Audit Coverage in Half 1 2025/26 – April to September 2025

Our aim is to produce an agile, risk-assessed work plan, containing key areas of coverage.

We maintain a rolling plan and continually update this as new areas of work are agreed. We risk assess all additions to the rolling plan. This means that lower risk or priority audits roll back to be delivered at a point in the future. The rolling plan is the basis of each six-monthly review, with audits agreed with senior management according to risk. This approach ensures the plan is flexible, and we can respond to new and emerging risks as they arise.

During preparation of the proposed Half 1 Internal Audit Plan, we:

- invited Audit and Governance Committee members to provide suggestions for the Plan
- met with the Chair of the Audit and Governance Committee
- met with Directors and Assistant Directors from all directorates; and
- met with the Chief Executive Officer

These meetings have been key to agreeing a programme of work that reflects corporate goals and associated risks.

We have set out the proposed Half 1 Internal Audit Plan in **Appendix A**.

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



The Internal Audit Plan: SWAP

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

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

- Candid
- Relevant
- Inclusive
- Innovative
- Dedicated

Your Internal Audit Service

Conformance with Public Sector Internal Audit Standards

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

At least every five years, SWAP is subject to an External Quality Assessment of Internal Audit Activity (EQA). Our last EQA took place in November 2024. This confirmed our conformance with the PSIAS.

The Global IIA has recently reviewed the Global Internal Audit Standards (GIAS), which set out the requirements for internal audit practice. The new Standards took effect on 9 January 2025. CIPFA has now published the Application Note for UK Public Sector Internal Audit, which sets out how public sector internal audit providers in the UK should interpret the GIAS. The Application Note takes effect on 1 April 2025. SWAP is developing a plan to ensure compliance with these new standards.

Conflicts of Interest

We are not aware of any conflicts of interest with East Devon District Council that would impair our independence or objectivity.

Consultancy Engagements

As part of our internal audit service, we may accept consultancy engagements that have the potential to enhance risk management, add value, and improve the organisation's operations. Accepted consultancy work will contribute to our annual opinion and will be included in the Internal Audit Plan.

Approach to Fraud

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



The Internal Audit Plan: Approach

Internal Audit Charter

Each year, we present our Internal Audit Charter to the Audit and Governance Committee for approval.

The updated GIAS requires the Internal Audit Charter to set out the internal audit function's:

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

Our proposed Internal Audit Charter for 2025/26 is included in this document as **Appendix B**.

The Internal Audit Plan: SWAP

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

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

Our Reporting

We provide a quarterly summary of our activity to senior management and the Audit and Governance Committee.

This report will include any significant risk and control issues (including fraud risks), governance issues, and other matters requiring the attention of senior management and/or the Committee.

Additionally, we will report any management responses to risks we have highlighted that we believe may be unacceptable to the organisation.

Internal Audit Performance:

As part of our regular reporting to senior management and the Audit and Governance Committee, we will report on internal audit performance.

We measure our performance against the following targets:

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

Internal Audit Plan Half 1 2025/26

Appendix A

Please note that the audit titles and high-level scopes listed below are only indicative at this stage for resource planning. At the start of each audit, we will hold an initial discussion with management to agree on the specific terms of reference, including the objective and scope of the review.

Audit	Planned Quarter	Rationale	Link to Strategic Risk	Audit Sponsor
Contract Management	1	Procurement and contract management is moving from Finance to Governance and Corporate Services (GCS). GCS has requested a review of contract management practice for contracts with a value below £150k. Poor contract management can expose the council to financial, reputational and continuity risks.	Business failure of a major contractor or significant partner	Corporate Lead Legal Services
Development Management – Compliance with the Scheme of Delegation	1	This review will determine whether planning application decisions are being made in accordance with the approved scheme of delegation. There are reputational risks to the council if the scheme is not followed.	Failure to ensure the delivery of the Council Plan	Assistant Director Planning Strategy and Development Management
Finance Provision	1-4	Finance has requested that we set aside time to provide additional assurance for areas, not yet confirmed, that have not recently been covered by External Audit.	Adequacy of financial resource planning to deliver the council's priorities	Director of Finance
Fraud Provision	1-4	Finance has requested that we set aside time to cover unanticipated requests for fraud support or investigations. This provision is intended to limit the likelihood that any planned audits will be deferred.	Adequacy of financial resource planning to deliver the council's priorities	Assistant Director Revenues, Benefits, Customer Access, Fraud and Compliance
Fraud Risk Assessment	1	The Audit and Governance Committee recently approved the Fraud Delivery Plan, which includes a commitment to update the council's Fraud Risk Assessment. This work may identify future audit needs.	Adequacy of financial resource planning to deliver the council's priorities	Assistant Director Revenues, Benefits, Customer Access, Fraud and Compliance
Pest Control Service	1	The Pest Control Service generates income for the council. This review will confirm that the income generated is covering service delivery costs, there is no subsidy for service users, and consider service resilience and health and safety measures for officers.	Failure to adequately protect staff health and safety at work	Assistant Director Environmental Health

Audit	Planned Quarter	Rationale	Link to Strategic Risk	Audit Sponsor
Bank Reconciliation	2	The Audit and Governance Committee Chair has requested this review following concerns raised in recent External Audit update reports. This review will cover the reconciliation process, treatment of reconciling items and authorisations.	Adequacy of financial resource planning to deliver the council's priorities	Audit and Governance Committee Chair
Community Safety and Anti-Social Behaviour (ASB)	2	Housing and Health has requested a review of this service, which is delivered through a partnership, following a recent restructure.	Failure to ensure the delivery of the Council Plan	Assistant Director Environmental Health
Housing Landlord Compliance – Damp & Mould	2	There is a risk to tenant safety if the council does not comply with inspection/remediation regimes for its housing stock. Awaab's Law is coming into effect in October 2025. This review will consider how the council complies with current law and preparations for new requirements.	HRA budget issues	Assistant Director Regulated Housing
Housing Landlord Compliance - Fire Safety	2	There is a risk to tenant safety if the council does not comply with inspection/remediation regimes for its housing stock. This review will consider compliance with fire safety regulations across the council's housing stock.	HRA budget issues	Assistant Director Regulated Housing
Section 106 and Community Infrastructure Levy (CIL)	2	This review will focus on the collection and deployment of Section 106/CIL funds. This has been an area of concern for members in the past, but the service has been given additional resources. A CIL bidding and spend process is due to complete by May 2025.	Adequacy of financial resource planning to deliver the Council's priorities	Assistant Director Planning Strategy and Development Management

In addition to the programme of audits, we will also use our time provide support in the following areas during the first half of 2025/26.

Advice & Support	<ul style="list-style-type: none"> • Committee Attendance & Reporting • Head of Audit role/planning • Action tracking and dashboard • Advisory role including fraud • Fraud bulletins and News round-up
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Purpose

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

The internal audit function enhances East Devon District Council's:

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

The internal audit function is most effective when:

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

Commitment to Adherence to the Professional Standards

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

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

Mandate

Authority

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

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

The audit committee authorises the internal audit function to:

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

Independence, Organisational Position and Reporting Relationships

The chief audit executive will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The chief audit executive will report functionally to the audit committee and administratively (for example, day-to-day operations) to the Director of Finance (Section 151 Officer).

This positioning provides the authority and status to bring matters directly to senior management and escalate matters to the audit committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

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

Changes to the Mandate and Charter

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

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

Audit Committee Oversight

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

- Discuss with the chief audit executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.

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

Chief Audit Executive Roles and Responsibilities

Ethics and Professionalism

The chief audit executive will ensure that internal auditors:

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

Objectivity

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

impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

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

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

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

Internal auditors will:

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

Managing the Internal Audit Function

The chief audit executive has the responsibility to:

- At least annually, submit a risk-based internal audit plan to the audit committee and senior management for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the audit committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in East Devon District Council's business, risks, operations, programs, systems, and controls.
- Communicate with the audit committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards in the UK Public Sector.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the audit committee and senior management annually and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Global Internal Audit Standards in the UK Public Sector and fulfil the internal audit mandate.
- Identify and consider trends and emerging issues that could impact East Devon District Council and communicate to the audit committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.

- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to East Devon District Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards in the UK Public Sector. Any such conflicts will be resolved or documented and communicated to the audit committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the audit committee.

Communication with the Audit Committee and Senior Management

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

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

Quality Assurance and Improvement Program

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

Annually, the chief audit executive will communicate with the audit committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be completed at least once every five years by a qualified, independent assessor or assessment team from outside both SWAP and East Devon

District Council; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

Scope and Types of Internal Audit Services

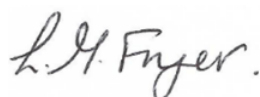
The scope of internal audit services covers the entire breadth of the organization, including all of East Devon District Council's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the audit committee and management on the adequacy and effectiveness of governance, risk management, and control processes for East Devon District Council.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

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

Approval




Lisa Fryer, Chief Audit Executive (SWAP)

27/02/2025

Date

Cllr Christopher Burhop, EDDC Audit Committee Chair



Moya Moore, Executive Director of Operations (SWAP)

Date

27/02/2025

Date

Report to: Audit and Governance Committee

Date of Meeting 20 March 2025

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Statement of Accounts 2024/25 – Review of Accounting Policies

Report summary:

It is good practice for the Audit and Governance Committee to approve the Accounting Policies to be adopted in advance of the preparation of the Statement of Accounts.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

To approve the Accounting Policies for the 2024/25 Statement of Accounts.

Reason for recommendation:

Members of the Audit and Governance Committee have responsibility for the approval of the Annual Statement of Accounts.

Officer: John Symes, Finance Manager, jsymes@eastdevon.gov.uk, 01395 517413

Portfolio(s) (check which apply):

- ☐ Climate Action and Emergency Response
- ☐ Coast, Country and Environment
- ☐ Council and Corporate Co-ordination
- ☐ Democracy, Transparency and Communications
- ☐ Economy and Assets
- ☒ Finance
- ☐ Strategic Planning
- ☐ Sustainable Homes and Communities
- ☐ Tourism, Sports, Leisure and Culture

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk;

Links to background information

Link to [Council Plan](#)

Priorities (check which apply)

- ☒ Better homes and communities for all
- ☒ A greener East Devon

Report in full

1. Background

- 1.1 This report presents the accounting policies to be adopted and to be used in the preparation of the Statement of Accounts for the 2024/25 financial year.
- 1.2 The CIPFA (Chartered Institute of Public Finance and Accountancy) LASAAC (Local Authority (Scotland) Accounts Advisory Committee) Local Authority Accounting Board is a standing committee of CIPFA and LASAAC and is responsible for developing the Code of Practice on Local Authority Accounting in the United Kingdom (“the Code of Practice”)
- 1.3 The Code of Practice prescribes the accounting treatment and disclosures for transactions of the Council. It is updated annually by the CIPFA / LASAAC Local Authority Board.
- 1.4 As specified by regulation 21(2) of the Local Government Act 2003, all Local Authorities in the United Kingdom are required to keep their accounts in accordance with 'proper (accounting) practices'. This is defined, for the purposes of local government legislation, as meaning compliance with the terms of the Code of Practice.
- 1.5 For 2024/25 the accounting policies have been updated to reflect the revised leasing standard, IFRS16, which has been adopted for 2024/25 to comply with the Code of Practice. The new leasing standard brings leased assets onto the balance sheet as ‘Right-of-Use’ assets and recognises future rental payments as lease liabilities.
- 1.6 The accounting treatment for Infrastructure Assets has been clarified by CIPFA (CIPFA Bulletin 12 Accounting - Infrastructure Assets - Temporary Solution). The council continues to apply this guidance by not reporting the values for gross book cost and accumulated depreciation, as these may not be measured accurately due to historical reporting practices.
- 1.7 The proposed accounting policies are presented via the link within the report.

Financial implications:

The policies set out for approval underpin the Council’s reporting on its financial performance and position.

Legal implications:

The legal position is detailed in the report and no further comment is required.

Accounting Policies for adoption by the Audit & Governance Committee

Note 1 Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the authority's transactions for the 2024/25 financial year and its position at the year end of 31 March 2025. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The Council therefore treats all fixed term deposits, which have no contractual provision for early redemption, and if they were redeemed early would suffer a penalty of at least a loss of interest, as investments. In the Cash Flow Statement, cash and cash equivalents include bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

1.4 Changes in Accounting Policies, Prior Period Adjustments and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.5 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding property, plant and equipment during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible property, plant and equipment attributable to the service.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Payment (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The provisions for charges to revenue for non-current assets in the HRA were amended on 1 April 2012 following the introduction of HRA self-financing. The Major Repairs Reserve is increased and the HRA balance is decreased by a sum equal to depreciation on all HRA non-current assets so that the depreciation on non-dwelling assets is now a charge to the HRA.

1.6 Council Tax and Non-domestic Rates

Billing authorities act as agents collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate

fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR included in the Comprehensive Income & Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund, is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments) the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.7 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are the amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement of Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits from the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the authority are members of the Local Government Pensions Scheme, administered by Devon County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the authority.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme.

- The liabilities of the Devon County pension fund attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities.
- The assets of Devon County pension fund attributable to the authority are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unitised securities - current bid price
 - Property - market value.

The change in the net pensions liability is analysed into the following components:

- **Service cost comprising:**
 - Current service cost - the increase in liabilities as a result of years of service earned this year; allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Costs.
 - Net interest on the net defined benefit liability i.e. net interest expense for the authority is the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period - taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- **Re-measurement comprising:**
 - Return on plan assets – excluding amounts included in the pensions interest cost and expected return on pension assets – charged to the Pensions Reserve as Other comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- **Contributions paid to the Devon Pension Fund:**

- Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.8 Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period
 - the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period
 - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.9 Fair value measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as available for sale financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that the participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and

best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

1.10 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

1.11 Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI); (a separate accounting policy is required for financial instruments held at fair value through other comprehensive income).

The business model of the council is to hold investments to collect contractual cash flows. Financial assets are therefore classified at amortised cost, except for those whose contractual

payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has from time to time made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the de-recognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased substantially since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased substantially or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

The Council recognises fair value gains and losses on its pooled Short-term Investment Funds, as they arrive, in the Surplus or Deficit on the Provision of Services. This is a requirement under IFRS 9. There is a “statutory reversal” which means that the impact of this

change in valuation does not hit the “bottom line” or taxpayers. The impact is reversed out and placed in an unusable reserve.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains or losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure, along with any net gain or loss related to the asset that has accumulated in the unusable reserve.

Financial Assets Measured at Fair Value through Other Comprehensive Income

The Council has acquired shares in certain entities to fulfil the service objectives of the Council. These equity instruments are not held for trading and under IFRS 9, the Council has elected to designate them as Fair Value through Other Comprehensive Income (FVOCI) so that gains and losses will be recognised through Other Comprehensive Income on the face of the Income Statement. There is a “statutory reversal” which means that the impact of this change in valuation does not hit the “bottom line” or taxpayers. Any impact is reversed out and placed in an unusable reserve.

1.12 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the authority when there is reasonable assurance that:

- the authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.13 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.14 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

Exeter City Council, East Devon District Council and Teignbridge District Council each share control of Strata Service Solutions Ltd, which was incorporated on 15 May 2014 under the

Companies Act 2006 for the provision of a shared Information Communications Technology service. The single entity financial statements for each authority reflect their respective shares of Strata Service Solutions Limited. However, the accompanying notes to the authority's financial statements only include information relating to Strata Service Solutions Limited where this would make a material difference to the usefulness of those notes.

1.15 Long term contracts

Long term contracts are accounted for on the basis of charging the Surplus and Deficit on the Provision of Services with the value of the works and services received under the contract in the financial year.

1.16 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at a cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated, but assets included in the Balance Sheet are revalued sufficiently regularly in a rolling 5 year cycle to ensure that their carrying amount is not materially different from their fair value at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund are therefore reversed out in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.17 Leases

1.17.1 Council as Lessee

Leases with a term of less than 12 months or for low value items are accounted for charging payments to the service line in the CIES. Charges are made on a straight-line basis over the life of the lease.

For longer-term leases and those for higher value items, the Council recognises the right acquired to use the property, plant or equipment as an asset in the Balance Sheet and a liability for the obligation to pay the lessor for the right. The lease liability is initially measured at the present value of the payments to be made after the commencement date.

The cost of the right-of-use asset is deemed to be the initial liability plus the incremental costs of obtaining the lease and any payments made before the commencement date. Right-of-use assets are subsequently accounted for in accordance with the classification the underlying asset would have if owned by the Council. The lease liability is subsequently remeasured where future lease payments change as a result of a change in an index or rate used to determine those payments. Remeasurements are reflected in adjustments to the deemed cost of the right-of-use asset.

Payments are apportioned between the charge for the acquisition of the right-of-use asset, applied to write down the lease liability, and financing charges.

1.17.2 Council as Lessor

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal, with the gain/loss attributable to the difference between the carrying amount of the asset and the Council's net investment in the lease being credited/debited to the Other Operating Expenditure line in the CIES. The net investment in the lease is recognised as a lease asset in the Balance Sheet, net of any premium paid.

Lease rentals receivable are apportioned between the credit for the disposal of the interest in the property, applied to write down the lease asset, and financing income.

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

1.18 Overheads and Support services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

1.19 Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

PPE Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

PPE Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- a de minimus level of £20,000 has been agreed for Capital Expenditure. Any costs below are charged to revenue.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.
- Where an item of Property, Plant and Equipment has major components whose costs is significant in relation to the total cost, the components are depreciated separately.

The authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

PPE Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

PPE Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives.

An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases and charged in the year of disposal, but not acquisition:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the vehicle, plant, furniture and equipment as advised by a suitably qualified officer
- infrastructure – straight-line allocation as estimated by the valuer.

Where an item of Property, Plant and Equipment valued at greater than £1,000,000 has major components whose cost is more than 20% in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of property, plant and equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.20 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.21 Reserves

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the authority – these reserves are explained in the relevant policies.

1.22 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.23 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.24 Community Infrastructure Levy (CIL)

The Community Infrastructure Levy (CIL) which was introduced by the planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948) as amended, is a discretionary charge which the Council charges on new development in the area from 1 September 2016.

CIL charges are based on a formula which relates the charge to the size of the development. The proceeds of the levy are spent on infrastructure to support the development of the district. East Devon District Council is the chargeable body and collects the levy on behalf of Town and Parish councils.

CIL is recognised on an accruals basis at the commencement date of the development as part of Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement.

CIL income applied to meet the administrative expenses of the scheme is recognised immediately in the Comprehensive Income and Expenditure Statement.

1.25 Rounding

The main statements have been adjusted so that rounding issues do not create casting differences. Within the notes, however, figures have been taken directly from working papers. It is not the Councils policy to adjust for immaterial casting differences within the notes or cross-casting differences between the main statements and disclosure notes.

Report to: Audit and Governance Committee

Date of Meeting 20 February 2025

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Financial Monitoring report 2024/25

Report summary:

The following report was presented to Cabinet on 5 February 2025.

The report is presented to Audit & Governance Committee to inform the Committee of the financial position for December 2024 and to note any recommendations to Council.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

To note the Financial Monitoring position and the recommendations to Cabinet on 5 February 2025.

Reason for recommendation:

To report the Financial Monitoring position for the Council's approved budgets for the General Fund, Housing Revenue Account, Capital expenditure and Treasury Management update.

Officer: John Symes – Finance Manager, jsymes@eastdevn.gov.uk, 01395 517413

Portfolio(s) (check which apply):

- ☐ Climate Action and Emergency Response
- ☐ Coast, Country and Environment
- ☐ Council and Corporate Co-ordination
- ☐ Communications and Democracy
- ☐ Economy and Assets
- ☒ Finance
- ☐ Strategic Planning
- ☐ Sustainable Homes and Communities
- ☐ Culture, Leisure, Sport and Tourism

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk;

Links to background information: [Cabinet report 5 February 2025](#)

Link to [Council Plan](#)

Priorities (check which apply)

- ☒ A supported and engaged community
- ☒ Carbon neutrality and ecological recovery
- ☒ Resilient economy that supports local business
- ☒ Financially secure and improving quality of services

Financial implications:

The financial details are included in the report.

Legal implications:

Any legal implications are identified in the report and no further comment is required.

Audit and Governance Committee**20 March 2025****Audit and Governance Committee****Forward Plan 2025/26**

Date of Committee	Report	Lead Officer
24 July 2025	<ul style="list-style-type: none"> Internal Audit Annual Opinion Report 2024/25 Revenue and Capital Outturn Report 2024-2025 Financial Monitoring report update 2025/26 Treasury Position Review Risk Management Review Partnership Review 2024 Strata Annual Internal Audit report 2024/25 Boiler Trial project review (Part B) External Auditor's Annual Report External Audit Committee update External Audit Accounts 2024/25 update 	SWAP Finance Manager Management Information Officer DAP Director of Finance Grant Thornton
18 September 2025	<ul style="list-style-type: none"> Internal Audit Plan 2025-26 Internal Audit Activity Progress report External Audit Progress report and Sector update Financial Monitoring report update 2025/26 	SWAP Grant Thornton Finance Manager

20 November 2025	<ul style="list-style-type: none"> • Internal Audit Plan Progress report 2025/26 • External Interim Auditor's Annual Report 2023/24 • Statement of Accounts Annual Government Statement 2024/25 • Financial Monitoring report update 2025/26 • Treasury Position Review 	SWAP Grant Thornton Director of Finance Finance Manager
29 January 2026	<ul style="list-style-type: none"> • Risk Policy update • 'Time for change' - External Auditor updates • Financial Monitoring report update 2025/26 • Treasury Position Review 	Director of Finance Grant Thornton Finance Manager
19 March 2026	<ul style="list-style-type: none"> • Annual Audit Plan 2024/25 and Review of Internal Audit Charter • Internal Audit Plan Progress • External Auditor's Annual Report • External Audit Committee update • Partnership Review 2025 • Accounting Policies Approval • Financial Monitoring report update 2025/26 	SWAP Grant Thornton Management Information Officer Finance Manager