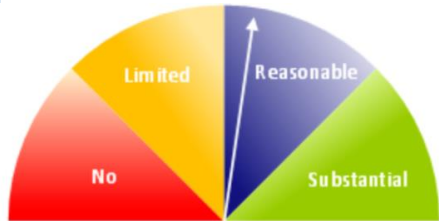


East Devon District Council

Internal Audit Annual Opinion 2023/24

Internal Audit Annual Opinion – 2023/24: ‘At a Glance’

Annual Opinion



There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.

The Headlines

	No Significant Risk identified in year after testing the controls in place.																				
	Progress against the 2023/24 Internal Audit Plan <ul style="list-style-type: none"> 15 assurance and advisory reviews and support activities completed 1 review drafting 																				
	Follow-ups Four follow-ups completed.																				
	Implementation of agreed management actions (based on follow up audits completed in 2023/24) <table border="1"> <thead> <tr> <th>Priority</th> <th>Agreed Actions</th> <th>Implemented Actions</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>2</td> <td>23</td> <td>17</td> <td>74</td> </tr> <tr> <td>3</td> <td>14</td> <td>9</td> <td>64</td> </tr> <tr> <td>Total</td> <td>37</td> <td>26</td> <td>70</td> </tr> </tbody> </table>	Priority	Agreed Actions	Implemented Actions	%	1	0	0	0	2	23	17	74	3	14	9	64	Total	37	26	70
Priority	Agreed Actions	Implemented Actions	%																		
1	0	0	0																		
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3	14	9	64																		
Total	37	26	70																		

Assurance Opinions

	2022/23	2023/24*
Substantial	0	2
Reasonable	8	3
Limited	2	7
No Assurance	0	0
Advisory	3	3
Grants	2	0
Follow Up	3	4
Total	18	19

Agreed Actions

	2022/23	2023/24*
Priority 1	1	16
Priority 2	26	39
Priority 3	25	22
Total	52	77

*Final reports only

Executive Summary

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



Purpose

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

- Include an opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
 - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
 - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
 - the effectiveness of risk management processes; and
 - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare the work completed with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

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

Executive Summary

Three Lines Model

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

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

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

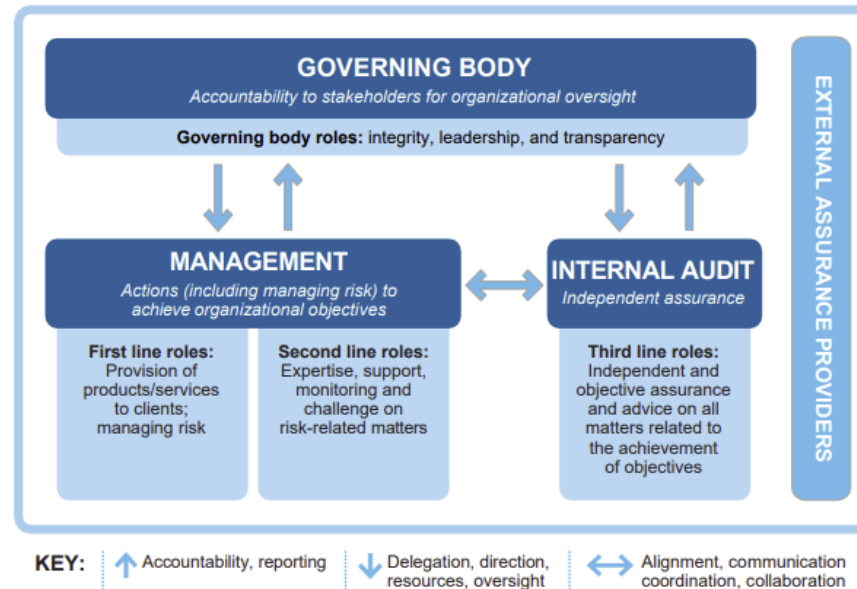


Background

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

Internal Audit provides an independent and objective opinion on the Council’s control environment by evaluating its effectiveness. This report summarises Internal Audit’s activity for the 2023/24 year.

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



Internal Audit Annual Opinion 2023/24

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



Annual Opinion

On the balance of our 2023/24 audit work for East Devon District Council, I can offer a **Reasonable Assurance** opinion in respect of the areas reviewed during the year.

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

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

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

We have not reviewed all risks and assurances relating to East Devon District Council during 2023/24 and cannot provide absolute assurance on the internal control environment. We cannot cover all key risks in any one year, so aim to provide coverage over the medium term. Senior management and members are ultimately responsible for ensuring there is an effective system of internal control. A summary of our coverage against the Council's strategic risks is included on page 5.

The scope of our work does not extend to covering ICT services that are provided to the Council by Strata. Therefore, we do not consider ICT services or risks when providing the Annual Opinion.

Internal Audit Annual Opinion 2023/24

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



Annual Opinion Continued

Over the year, we have found that the senior management of East Devon District Council are supportive of Internal Audit and are willing to approach us with their concerns and ideas. We have presented progress reports highlighting key issues to the Audit & Governance Committee throughout the year. Both senior management and the Committee demonstrate support for our work and have a clear commitment to improvement.

The 2023/24 Internal Audit Plan is now substantially complete, with only one audit to finalise. We are pleased to report that there were five audits for which we could provide Substantial or Reasonable assurance after evaluating the control framework.

However, when compared to 2022/23, there has been an increase in the number of audits receiving Limited assurance opinions. Senior management requested many of these audits to obtain an independent view on the Council's current arrangements and guidance on the improvements needed. While we have reported concerns that the Council needs to address, we have not identified any significant corporate risks this year.

During the year we carried out four follow-up audits. Generally, this work confirmed the Council has made good progress in implementing agreed actions to mitigate areas of significant risk. We continue to track the Council's progress in implementing agreed audit actions. We have recently granted some council officers access to our systems, so going forward they can view and update their agreed actions independently.

Audit Coverage by Corporate Risk

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

The East Devon District Council Risk Register is a live document and subject to change throughout the year as the risk environment that EDDC operates in changes. Therefore, this table reflects a summary of coverage against shifting priorities throughout the year in terms of corporate and operational risks.



Audit Coverage by Strategic Risk

Table 1: Audit Coverage by Strategic Risk

Table Key	Reasonable internal audit coverage	Partial internal audit coverage	No internal audit coverage in 2023/24
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Strategic Risk	Coverage	Planned
Business failure of a major contractor or significant partner	2023/24	2024/25
Adequacy of financial resource planning to deliver the Council's priorities	2023/24	2024/25
Major disruption in continuity of computer and telecommunications services		
Adequate emergency planning and business continuity	2023/24	2024/25
Failure to ensure that our corporate property portfolio is fully compliant with legal requirements	2023/24	2024/25
Failure to meet the requirements of data protection legislation and good information governance	2023/24	2024/25
Failure to deliver the Enterprise Zone and the wider west end development programme		
Increasing homelessness	2022/23	2024/25
Failure to ensure the Council's sustainability		
Failure to adequately protect staff health and safety at work	2021/22	2024/25
Retaining and strengthen a collective approach to decision making	2023/24	2024/25
Climate change targets not achieved	2022/23	
Recruitment and retention issues	2023/24	
Reputational damage to the organisation	2023/24	
Risk of service failure	2023/24	
Impact of the economic situation on our residents	2022/23	
Any RAAC present in housing stock deteriorates causing structural issues*		
Delays in investing in category A public toilets leads to loss of funding*		

*New strategic risk

Summary of Audit Outcomes

Definitions of Corporate Risk

High Risk

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

Medium Risk

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

Low Risk

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



Significant Corporate Risks

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

Review Name / Risks
No High Corporate risks have been identified through audit work in 2023/24.

Summary of audit outcomes

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

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



Summary of Audit Opinion

**TABLE 1: SUMMARY OF AUDIT OPINIONS
2023/24**

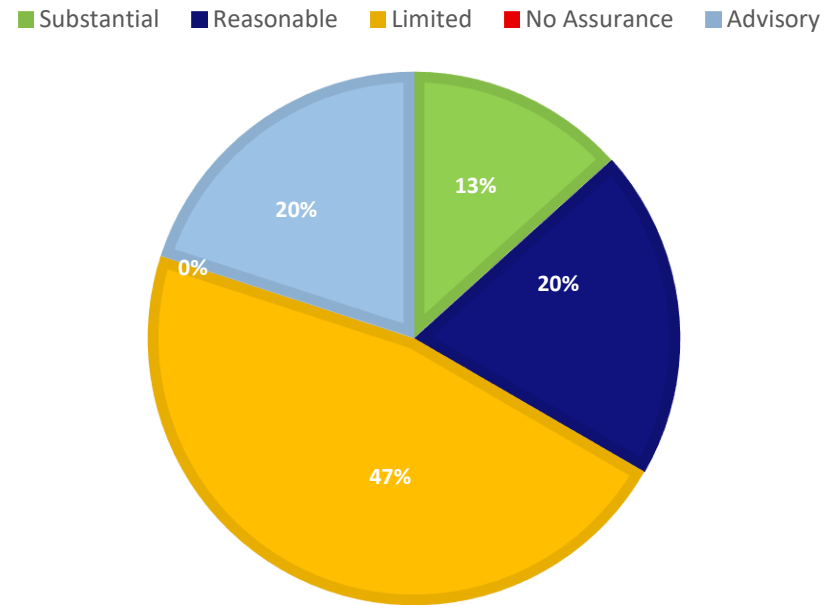


Table 1 provides a breakdown of the audit work by opinions across the year.



Summary of audit outcomes

We rank our actions on a scale of 1 to 3, with 3 being medium or administrative concerns to 1 being areas of major concern requiring immediate corrective action



Priority Actions

TABLE 2: AGREED PRIORITY ACTIONS

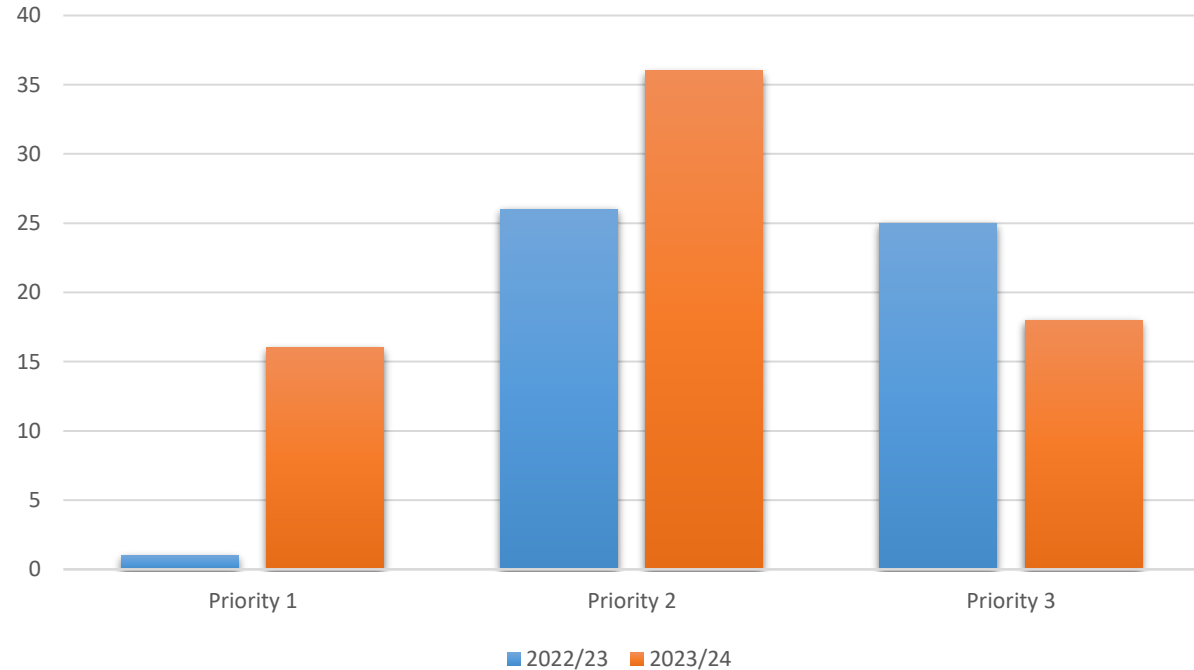


Table 2 compares the proportion of agreed actions by priority in 2022/23 and 2023/24.

Plan Performance 2023/24

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



SWAP Performance

SWAP's performance is subject to regular monitoring and review by both the SWAP Board of Directors and the Owners Board. The respective outturn performance results for the SWAP team conducting audits at EDDC for the 2023/24 year are as follows:

Performance Target	Performance
Overall client satisfaction <i>did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence</i>	100%
Value to the organisation <i>client view of whether our audit work met or exceeded expectations, in terms of value to their area</i>	98%

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

Under these standards we are required to be independently externally assessed at least every five years to confirm compliance to the required standards. An annual self-assessment process confirms ongoing compliance. SWAP was assessed in February 2020 and confirmed that we are in conformance to PSIAS. We are preparing for an external assessment in 2024.

From 2025 new updated global internal audit standards will be introduced that we will need to comply with. We have already started work on preparing for this change and are aiming to be one of the first organisations in the UK to achieve compliance with the new standards.

Audit Type	Audit Area	Status	Opinion	Total Actions	1 =	↔	3 =
					Major		Medium
					1	2	3
Complete							
Advisory	Planning Enforcement	Complete	Advisory	2	2	0	0
Advisory	Member Training & Support – Skills Survey	Complete	N/A				
Operational	Agency and Consultants - Implications of IR35	Complete	Limited	11	6	4	1
Operational	Housing Landlord Health and Safety Compliance – Damp and Mould	Complete	Reasonable	6	0	2	4
Operational	Emergency Planning	Complete	Limited	8	0	3	5
Governance	Information Governance Policies	Complete	Limited	13	5	6	2
Key Control	Non-Domestic Rates	Complete	Substantial	0	0	0	0
Governance	Performance Management	Complete	Limited	7	1	6	0
Governance	Strategic Partnerships	Complete	Limited	7	1	5	1
Operational	Countryside – Use of Volunteers	Complete	Limited	7	1	5	1
Governance	Elections	Complete	Reasonable	4	0	2	2
Governance	Recruitment and Onboarding	Complete	Reasonable	4	0	2	2
Operational	Waste Contract	Complete	Substantial	1	0	1	0
Follow Up	Management of the Better Care Fund and Disabled Facilities Grants	Complete	N/A	All 5 priority 2 actions complete			
Follow Up	Housing Landlord Health and Safety Compliance – Asbestos	Complete	N/A	1 of 3 priority 2 actions complete, 2 are in progress			

Summary of Internal Audit Work 2023/24

Audit Type	Audit Area	Status	Opinion	Total Actions	1 =	↔	3 =
					Major		Medium
					1	2	3
Follow Up	Housing Contract Management (Whistleblowing)	Complete	N/A	80% of agreed actions implemented			
Follow Up	Emergency Planning	Complete	N/A	7 of 8 agreed actions implemented			
Advisory	Fraud Awareness – e-learning module	Complete	N/A	E-learning module created			
Governance	Establishment Control	Complete	Limited	7	0	3	4
Reporting							
Operational	Housing Landlord Health and Safety Compliance: Electrical Safety	Drafting					
Deferred							
Operational	Governance arrangements – district heating project	Deferred		Deferred to 2024/25			
Operational	Firmstep – Data Protection compliance	Deferred		Deferred to 2024/25			
Advisory	Housing Site Development	Deferred		Deferred to 2024/25			
Operational	Housing Contractor Management - Complaints	Deferred		Deferred to 2024/25			
Operational	Firmstep – Digital Project Outcomes	Deferred		Deferred to 2024/25			
Governance	Supplier Resilience	Deferred		Deferred to 2024/25			