

# East Devon District Council

## Internal Audit Annual Opinion 2024/25





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

### Annual Opinion



There is generally a 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.

### The Headlines

	<b>Progress against the 2024/25 Internal Audit Plan:</b> <ul style="list-style-type: none"> <li>18 assurance and advisory reviews and support activities completed.</li> <li>2 reviews are at draft report stage.</li> <li>2 further reviews (1 assurance, 1 follow up) are in progress.</li> </ul>
	<b>Assurance opinions offered:</b> <ul style="list-style-type: none"> <li>We provided Substantial or Reasonable assurance for 58% of completed assurance audits, compared to 42% in 2023/24.</li> </ul>
	<b>One High Organisational Risk identified:</b> <ul style="list-style-type: none"> <li>Housing Electrical Safety (see page 6).</li> <li>Officers have reported that they have completed almost all of the action plan from this review.</li> </ul>
	<b>Follow-up and Action Tracking:</b> <ul style="list-style-type: none"> <li>This year we have focused on embedding new action tracking processes. We have not finalised any formal follow up reviews.</li> <li>Based on officer self-assessment and our verification of their progress, the council has implemented 40% of the internal audit actions raised during 2024/25.</li> </ul>

### Assurance Opinions

	2023/24	2024/25*
Substantial	2	1
Reasonable	3	6
Limited	7	5
No Assurance	0	0
Advisory & Other	3	6
Follow Up	4	0
<b>Total</b>	<b>19</b>	<b>18</b>

### Agreed Actions

	2023/24	2024/25*
Priority 1	16	5
Priority 2	39	51
Priority 3	22	61
<b>Total</b>	<b>77</b>	<b>117</b>

\*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). This report should:

- Include an opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Summarise 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 undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

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

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

## Executive Summary

### Three Lines Model

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

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

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

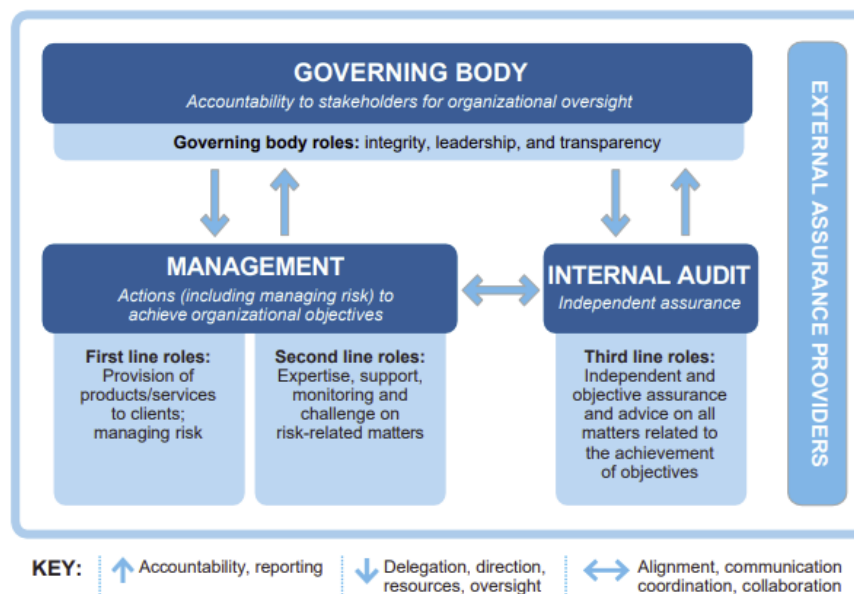


### Background

SWAP Internal Audit Services provides the Internal Audit service for 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 2024/25 year.

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



## Audit Coverage by Corporate Risk

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



### Annual Opinion

On the balance of our 2024/25 audit work for 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 advisory work.
- Follow up of previous audit activity, including the monitoring of agreed actions.
- Grant certification work.
- Assurances from other providers, including third parties and regulator reports.

A risk-based plan was agreed for 2024/25 with audit work scheduled across the Council's key services and strategic risks. Page 5 summarises our coverage against the Council's strategic risks.

The scope of our work does not extend to covering ICT services that are provided to the Council by Strata. This is because Strata is audited separately by the Devon Assurance Partnership (DAP).

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 meet regularly with the Section 151 Officer to discuss developments within the council and the issues we have identified through our work. We have recently agreed to attend Senior Leadership Team (SLT) meetings quarterly to provide progress updates and have now established quarterly meetings with the Chief Executive.

## Summary of Audit Outcomes

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



### Annual Opinion Continued

We have also 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 2024/25 Internal Audit Plan is now largely complete, with two reviews being at draft report stage and two further reviews nearing this stage. We are pleased to report that for 7 of the 12 (58%) assurance audits we completed this year, we could provide Substantial or Reasonable assurance after evaluating the control framework. These reviews covered both key financial systems such as Treasury Management and Payroll and important operational services including Planning Applications, Temporary Accommodation and Housing Voids.

As we follow a risk-based approach, we expect that there will be audits where we can only offer lower levels of assurance. Senior management also regularly ask us to review areas where they either have existing concerns or want independent assurance or advice. It should be noted that the proportion of audits where we could only provide Limited assurance has reduced from 58% in 2023/24 to 42% for 2024/25.

During the year we identified one High Organisational Risk, Housing Electrical Safety. The Housing & Health service has recently advised us that they have completed almost all of the agreed action plan from this review. More information about this review and the progress made is included on **Page 6**. This will be a priority for us to follow up in 2025/26.

Over the year we have continued to develop the action tracking process and following additional training we are now getting improved engagement from officers. Based on actions managers have self-assessed as completed and actions we have validated, the council has implemented 47 (40%) of the agreed actions raised in 2024/25. Considering that 93 of the 117 agreed actions were raised in the second half of the year, we feel this represents good progress overall. **Appendix A** sets out the current position for every audit completed in 2024/25. There are, however, actions outstanding from previous years that we are continuing to monitor.

Given the above factors, we consider it appropriate to offer a **Reasonable** assurance annual opinion for 2024/25.

## Summary of Audit Outcomes

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

The table below maps our completed coverage for 2024/25 against the council's strategic risk register. This table reflects the risk register that was in place in April 2024, when the original Internal Audit Plan was agreed. 2025/26 planned delivery will be mapped to the updated risk register. "Planned Coverage" includes audits that have not yet concluded.

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 Fees, Treasury Management Procurement Cards, Housing Voids	Budget Monitoring
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	Payroll, Establishment System	
Reputational damage to the organisation	Project Management	
Risk of service failure	DFG Process	



## 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'.

#### Housing Electrical Safety

The most significant weaknesses identified in this review were:

- There being no one complete compliance record. Officers raised concerns about the functionality of the system they were using and issues with the compliance spreadsheet. There were also no quality assurance checks on the information being recorded in either record, and lags between updates in the spreadsheet and in the system.
- While the council's policy stated there was a 28-day target for contractors to complete any necessary remedial works, the council did not have a method of monitoring compliance with this target.
- We found discrepancies between performance figures prepared by officers and those subsequently used in service monitoring and KPI reports. These were linked to differences in opinion about whether priority rating downgrades suggested by consultants should be applied. We could not validate any of the performance figures due to a lack of supporting evidence.

Since this review took place, there has been significant turnover in the service, and a new management team and electrical surveyor have been appointed. Housing & Health has now advised us that they have completed almost all of the agreed action plan, including:

- Identifying preferred software which will provide full functionality and enable a complete and accurate record to be maintained, and looking at how this can be procured
- Introducing monitoring against the 28-day target, and pushing contractors to complete remedial works before they leave the site
- Deciding to remediate issues with the downgraded properties and building these into the regular programme of work, to reduce any potential risk resulting from the downgrades

We have received some evidence from Housing & Health and will soon begin assessing their progress.



## 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 ASSURANCE OPINIONS  
2024/25**

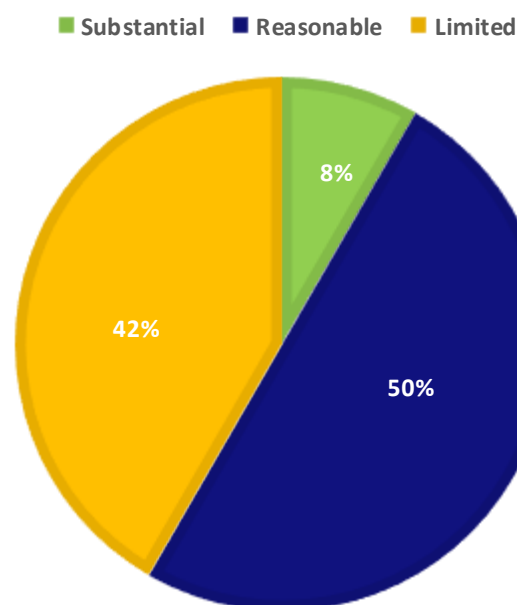


Table 1 provides a breakdown of the assurance opinions we have offered in 2024/25.

58% of assurance audits received a Substantial or Reasonable assurance opinion, while 42% received Limited assurance. There were no None assurance reviews.

## Summary of Audit Outcomes

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



### Action Tracking and Follow-up Work

#### Action Tracking

This year we have focused on developing and embedding the action tracking process. Council officers that are made responsible for implementing agreed actions can use our audit management software, AuditBoard, to notify us when they have completed an action and provide us with evidence of their progress. We report the council's overall position to the Audit and Governance Committee in our quarterly progress reports.

The table below sets out the total number of audits agreed in 2024/25, and the council's progress in implementing the actions, by priority rating. "Self-Assessed Complete Actions" shows the number of actions officers have assessed as complete. "Actions Closed" shows the number of actions we have verified are complete – please note that Priority 3 actions are closed based on manager self-assessment.

Priority	Agreed Actions	Self-Assessed Complete Actions	Actions Closed	Complete %
1	5	3	0	60
2	51	8	6	27
3	61	0	30	49
Total	117	11	36	40

47 of the 117 (40%) actions raised in 2024/25 have been self-assessed as complete or verified. Considering 93 of the actions were raised in the second half of the year, we consider this to present a reasonable level of progress.

The progress made for each 2024/25 audit is included in **Appendix A**.

#### Follow Up

Because we have focused on developing and embedding the action tracking process, we only scheduled one formal follow up audit, Strategic Partnerships, for 2024/25.

The Strategic Partnerships follow up review is ongoing, but we note there has been good progress and we have already closed 4 of the 7 agreed actions.

## Plan Performance 2024/25

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



### SWAP Performance

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

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

Until 31 March 2025, the relevant Standards for UK public sector internal audit were the Public Sector Internal Audit Standards. Standard 1312 required auditors to commission an external quality assessment on conformance with the Standards at least every five years.

SWAP's most recent assessment was published in December 2024 and concluded that SWAP "generally conforms", the highest grade then available in the IIA's Quality Manual. We can therefore confirm that our work for 2024/25 was completed in conformance with relevant professional standards.

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

# Summary of Internal Audit Work 2024/25

# Appendix A

Audit Type	Audit Area	Status	Opinion	Total Actions	1 = Major	↔	3 = Medium	Self-Assessed Complete Actions	Actions Closed
					Actions				
					1	2	3		
Complete									
Assurance	Planning Application Fees	Final	Substantial	2	0	1	1	1	1
Advisory	LED Exmouth Pavilion Loss of Income Claim	Final	N/A	1	0	0	1	0	1
Assurance	Housing Electrical Safety (2023/24 Plan)	Final	Limited	9	3	2	4	4	4
Assurance	Ethical Governance	Final	Limited	9	0	6	3	0	3
Advisory	Establishment System Controls	Final	N/A	3	0	1	2	0	1
N/A	Confidential Request #4 (3630)	Final		0	0	0	0	0	0
N/A	Confidential Request #2 (3271)	Final		9	1	8	0	5	0
N/A	Confidential Request #1 (3026)	Final		12	1	9	2	0	0
Assurance	Corporate Property Health and Safety	Final	Reasonable	5	0	0	5	0	1
Assurance	Treasury Management	Final	Reasonable	6	0	2	4	0	5
Assurance	Disabled Facilities Grants Process	Final	Reasonable	6	0	2	4	0	4
Assurance	Procurement Cards	Final	Limited	10	0	3	7	0	7
Assurance	Temporary Accommodation	Final	Reasonable	12	0	3	9	1	4
Assurance	Housing Voids	Final	Reasonable	8	0	3	5	0	0
Assurance	Payroll	Final	Reasonable	3	0	1	2	0	1
Assurance	Business Continuity	Final	Limited	9	0	4	5	0	0

## Summary of Internal Audit Work 2023/24

Audit Type	Audit Area	Status	Opinion	Total Actions	1 = Major	↔	3 = Medium	Self-Assessed Complete Actions	Actions Closed
					Actions				
					1	2	3		
Advisory	Project Management Framework	Final	N/A	0	0	0	0	0	0
Assurance	Local Government Transparency Code	Final	Limited	13	0	6	7	0	6
Reporting									
Assurance	Supplier Resilience	Draft							
N/A	Confidential Review #5 (3852)	Draft							
In progress									
Assurance	Budget Monitoring	In progress							
Follow Up	Strategic Partnerships	In progress							
Deferred and Removed									
Assurance	Community Safety/Anti-Social Behaviour	Deferred	Deferred. Included in the 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	Not required. Replaced by Confidential Request #5.						
Assurance	Creditors	Deferred	Deferred due to make room for confidential audit requests.						
Assurance	Section 106 and CIL	Deferred	Deferred. Included in the 2025/26 Half 1 Internal Audit Plan.						