



Civic Centre,
Arnot Hill Park,
Arnold,
Nottinghamshire,
NG5 6LU

Agenda

Audit Committee

Date: **Tuesday 24 November 2020**

Time: **5.30 pm**

Place: **Committee Room**

For any further information please contact:

Alec Dubberley

Service Manager Democratic Services

0115 901 3906

Audit Committee

Membership

Chair	Councillor Bob Collis
Vice-Chair	Councillor Meredith Lawrence
	Councillor Liz Clunie
	Councillor Boyd Elliott
	Councillor Kathryn Fox
	Councillor Helen Greensmith
	Councillor Jennifer Hemingway

WEBCASTING NOTICE

As a result of legislation passed to enable remote meetings to take place during the COVID-19 emergency, this local authority meeting is being held remotely using conferencing software. This approach allows participants to not physically gather in a meeting room. In order to keep meetings open to the public, the live audio will be streamed at www.gedling.gov.uk and the video will be published after the meeting.

Please note: this meeting will be audio and video recorded for live and subsequent broadcast via the Council's website (www.gedling.gov.uk) - at the start of the meeting the Chair will confirm if all or part of the meeting is being recorded.

You should be aware that the Council is a Data Controller under the Data Protection Act. Data collected during this webcast will be retained in accordance with the Council's published policy.

For more information about how your personal data is collected and used please view our privacy notice <https://www.gedling.gov.uk/elections-privacy/>

AGENDA

Page

- 1 **Apologies for Absence and Substitutions.**
- 2 **To approve, as a correct record, the minutes of the meeting held on 7 July 2020** 5 - 6
- 3 **Declaration of Interests.**
- 4 **Going Concern** 7 - 13
Report of the Assistant Director - Finance.
- 5 **Mazars External Audit Report 2019/20** 15 - 17
Report of the Assistant Director – Finance.
- 6 **Annual Governance Statement and Statement of Accounts 2019/20** To Follow
Report of the Assistant Director - Finance.
- 7 **Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting (The Redmond Review).** 19 - 23
Report of the Assistant Director – Finance.
- 8 **Corporate Risk Management Scorecard Quarter2 2020/21** 25 - 40
Report of the Assistant Director - Finance.
- 9 **Internal Audit Progress Report 2020/21** 41 - 101
Report of the Internal Audit Assistant Manager (BDO).

10 Internal Audit Follow Up Report 2020/21

103 - 123

Report of the Internal Audit Assistant Manager (BDO).

11 Any other item which the Chair considers urgent.

MINUTES AUDIT COMMITTEE

Tuesday 7 July 2020

Councillor Bob Collis (Chair)

Councillor Meredith Lawrence
Councillor Liz Clunie
Councillor Boyd Elliott

Councillor Kathryn Fox
Councillor Helen Greensmith
Councillor Jennifer Thomas

Officers in Attendance: A Ball, H Barrington and A Dubberley

11 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS.

None.

12 TO APPROVE, AS A CORRECT RECORD, THE MINUTES OF THE MEETING HELD ON 1 JUNE 2020

RESOLVED:

That the minutes of the above meeting, having been circulated, be approved as a correct record.

13 DECLARATION OF INTERESTS.

None.

14 PROGRESS UPDATE – IT GENERAL CONTROLS AUDIT

Consideration was given to a report of the Director of Organisational Development and Democratic Services which reported progress against the high priority actions contained in the IT general controls audit report.

RESOLVED to:

Note the progress in relation to high priority actions contained in the IT general controls audit report.

15 CORPORATE RISK MANAGEMENT SCORECARD QUARTER 4 2019/20

The Assistant Director Finance introduced a report which had been circulated in advance of the meeting, advising members of the current level of assurance that can be provided against each corporate risk.

RESOLVED to:

- 1) Note the progress of actions identified within the Corporate Risk Register; and
- 2) Thank officers for the improvements made to the level of risk particularly during the current difficult time

16 ANNUAL GOVERNANCE STATEMENT 2019/20

The assistant Director Finance introduced a report, which had been circulated in advance of the meeting, presenting the proposed Annual Governance Statement for 2019/20.

RESOLVED:

To note the Annual Governance Statement 2019/20 .

17 ANY OTHER ITEM WHICH THE CHAIR CONSIDERS URGENT.

None.

The meeting finished at 2.30 pm

Signed by Chair:
Date:



Report to Audit Committee

Subject: Going Concern
Date: 24 November 2020
Author: Chief Financial Officer

1 Purpose of Report

To inform Members of the Chief Financial Officer's assessment of the Council's "Going Concern" status for the purpose of the Statement of Accounts 2019/20.

Recommendation:

THAT:

Members note the outcome of the assessment made by the Chief Financial Officer that Gedling Borough Council can continue to operate as a going concern for a period of twelve months from the date of signing the audit opinion, and accordingly remains a going concern for the purpose of the 2019/20 Statement of Accounts.

2 Background

The concept of "going concern" is that a local authority, its functions and its services will all continue in operation for the foreseeable future. The CIPFA Code of Accounting Practice states that an authority's financial statements must be prepared on a "going concern" basis, because local authorities carry out functions essential to the local community, and are themselves revenue raising bodies with limits on revenue-raising powers arising only at the discretion of central government. If the authority was in financial difficulty it is likely that alternative arrangements would be made by central government either for the continuation of service delivery or for assistance with the recovery of any deficit over a period exceeding one year.

An inability to apply the going concern concept would potentially have a fundamental impact on the Council's financial statements. Property, plant and equipment in particular may not be realisable at book values, and provisions may be required for potential closure costs or redundancies.

Given the significant reductions in local government funding in recent years, and now the potentially significant threat that Covid-19 poses to the ongoing viability of councils, the external auditors are placing a greater than usual emphasis on the going concern issue. Accordingly, they require each authority to prepare an assessment of its going concern status in conjunction with the 2019/20 Statement of Accounts.

3 Proposal

3.1 Assessment of Going Concern for Gedling Borough Council

The Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2019/20 (the Code). The Code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. It is assumed that the Council will realise its assets and settle its obligations in the normal course of business.

The main factors which underpin the going concern assessment are:

- The Council's current financial position;
- The Council's projected financial position;
- The Council's governance arrangements;
- The regulatory and control environment applicable to the Council as a local authority.

3.2 The Council's current financial position

An outturn report for 2019/20 was presented to Cabinet on 2 July 2020 highlighting the continued good management of revenue and capital budgets.

The revenue outturn position for 2019/20 showed a minor overspend of £57,000 (0.49%) against the current approved net Council budget, due primarily to additional contributions to bad debt provisions.

The balance on the general fund at 31 March 2020 was £3,909,000. In addition, earmarked revenue reserves totalled £5,982,000, and whilst these sums have been set aside to finance specific future plans, they may still be diverted by the Chief Financial Officer to support general expenditure should the need arise. General reserves reflect the Council's ability to meet unexpected financial pressures, and are a key indicator of resilience. As part of the Medium Term Financial Plan (MTFP) the Chief Financial Officer has assessed that the minimum level of general reserves to be held should be equivalent to at least 7.5% of the Council's net operating expenditure. The general fund balance of £3,909,000 at 31 March 2020 was well in excess of this minimum.

The Council held £12,873,000 at 31 March 2020 in the form of cash, cash equivalents and short term investments maturing within one year.

Capital expenditure for 2019/20 totalled £3,107,000, representing an underspend of £1,505,000 against the approved capital programme due largely to the slippage of schemes to 2020/21. The capital programme was funded from capital receipts, government grants, contributions from developers and other partners, direct financing from revenue, and borrowing.

The balance sheet at 31 March 2020 shows a negative net worth of £13,780,000 however this is due only to the impact of the pension deficit of £49,177,000. Statutory arrangements ensure that the deficit will be made good by increased contributions over the remaining working life of employees as assessed by the actuary, and the Council's true position remains healthy.

3.3 The Council's projected financial position

At its meeting on 5 March 2020, Council approved a balanced budget for 2020/21, allowing for net expenditure of £11,603,000 and requiring a council tax increase of 3.07%. The net budget included pressures and growth totalling £771,000, and required a contribution from reserves of £1,156,000.

The Medium Term Financial Plan (MTFP) is updated annually and approved by the Council along with the budget. It reflects a five year assessment of the Council's spending plans and associated funding, and includes the ongoing implications of approved budgets and service levels, along with the revenue costs arising from the capital programme. Consideration is given by the Chief Financial Officer to the robustness of the estimates, and the adequacy of reserves in light of the strategic financial risk issues being faced by the Council.

Due to the unprecedented conditions presented by the Covid-19 pandemic, and the associated financial challenges and increased risks, a mid-year

review of the MTFP has been undertaken. The purpose of this is to ensure not only the maintenance of a balanced budget during the current financial year, 2020/21, but to inform the 2021/22 budget process and to ensure that a sustainable financial position is secured in the medium term, and that the Gedling Plan is supported. Further details with regard to the Covid-19 impact can be found at 3.6 below.

Delivery of the current approved £1.7m efficiency programme is an essential part of the Council's strategy for securing a sustainable medium term financial plan and progress is closely monitored on an ongoing basis. The remaining programme will be reviewed as part of the forthcoming budget process to identify any risk issues and ensure new efficiency proposals are developed to replace any projects that are considered high risk of non-delivery. Further efficiencies may be required to address any ongoing financial impacts of Covid-19 if this is not addressed by Government as part of the Local Government Finance Settlement.

3.4 The Council's governance arrangements

The Council has a well-established and robust corporate governance framework. This includes statutory elements, for example the post of Head of Paid Service, Monitoring Officer and Section 151 Officer, in addition to the current political arrangements.

An overview of the governance framework is provided within the Annual Governance Statement (AGS) which is included within the Statement of Accounts and was presented to the Audit Committee on 7 July 2020. The AGS includes a detailed review of the effectiveness of the Council's governance arrangements.

3.5 External regulatory and control environment

As a local authority the Council operates within a highly legislated and controlled environment, for example the requirement for a balanced budget each year, combined with the legal requirement to consider such matters as the robustness of estimates and the adequacy of reserves. As well as the legal framework and central government control, councils are also subject to scrutiny by internal and external auditors, and to numerous statutory requirements for compliance with best practice, and with guidance published by CIPFA and other relevant bodies.

Against this backdrop it is unlikely that a local authority would be "allowed to fail", with an expectation that if faced with such a scenario, central government, supported by such organisations as the Local Government Association, would intervene to bring about the required improvements, or to assist with maintaining service delivery. However, given the severity of the Covid-19 pandemic's impact on the UK's finances in general, it would

clearly be complacent to simply wait for Government intervention. MHCLG have conceded that councils may be left with unmanageable pressures, and may continue to be concerned about their future financial position. It has urged any authority finding itself in such a position to contact the department without delay.

3.6 Impact of Covid-19

The financial implications of the Covid-19 pandemic on the Council's finances are expected to be wide-ranging, but there remains much uncertainty. Some key risks are:

- A resurgence of the virus (this is already taking place);
- Increased local government funding uncertainty, eg. delays in the comprehensive spending review leading to a one-year only settlement;
- New budget pressures, both new reset service requirements and fees and charges income reductions;
- the impact of the economic downturn on the tax collection and demand for our services for those most directly affected e.g. by predicted job losses.

At its meeting on 12 November, Cabinet considered the quarter two budget monitoring report which assessed the full financial impact of the Covid-19 pandemic at £0.6m which was an improvement from the £0.7m reported at quarter one due to the receipt of additional emergency government grant funding. Cabinet approved the use of earmarked reserves to maintain a balanced budget in 2020/21.

Key risk issues associated with the pandemic include the impact on income levels and government grant funding to compensate for income losses, and these will be closely monitored. The full impact of Covid-19 is now anticipated to be between £0.6m and £1.0m. Should the 2020/21 impact indeed prove to be higher than the quarter two projection, the likelihood of which is now increased due to the resurgence of Covid-19 and a second national lockdown, further mitigation options will be recommended, eg. the identification of additional in-year savings, the further use of earmarked reserves, or ultimately a request to Council to increase the 2020/21 budget funded by an increase in the use of General Fund Balances. If however the position improves, then it may be possible to reverse the approved use of earmarked reserves.

3.7 Conclusion

While the full impact of the Covid-19 pandemic on the Council's finances remains uncertain, it is expected to have an ongoing impact. In the absence of any additional government funding or recognition of additional resource

requirements in the upcoming one-year settlement, this presents major financial challenges in continuing to maintain a balanced budget, a sustainable MTFP, reserve balances at adequate levels - so ensuring continued delivery of the Gedling Plan and excellent Council services. The Council does not have substantial reserves upon which to rely, and therefore cannot be complacent in seeking efficiencies to deliver any savings required. Timely action will be imperative to address risk and in a worst case scenario, emergency savings plans may need to be implemented, eg. a vacancy freeze or interim service reductions.

The Council has a strong track record of good financial management, which will continue to ensure that financial resilience and sustainability is secured.

It is considered that having regard to the Council's arrangements, and to specific factors highlighted in this report, the Council can continue to operate as a going concern for a period of twelve months from the date of signing the audit opinion, and accordingly remains a going concern for the purpose of the 2019/20 Statement of Accounts.

4 Financial Implications

There are no financial implications directly arising from this report.

5 Legal Implications

Section 25 of the Local Government Act 2003 requires an authority's S151 officer to comment on the robustness of the estimates and the adequacy of reserves. A report was considered as part of the budget determination by Council on 5 March 2020.

Section 114(1) of the Local Government Finance Act 1988 places a duty on the S151 officer to report certain matters to the authority. The duty of the S151 officer to report is triggered if they believe that a decision involves (or would involve) unlawful expenditure, a course of action is unlawful and is likely to cause a loss or deficiency, or an entry of account is unlawful.

Likewise, the S151 officer must inform the authority where they believe that the authority's expenditure is likely to exceed available resources. The authority is prevented from entering in to any agreements incurring expenditure until the Council has considered the report unless authorised by the S151 officer to prevent the situation that led to the preparation of the report from getting worse or recurring or to improve the situation.

6 Equalities Implications

There are no equalities implications directly arising from this report.

7 Carbon Reduction/Environmental Sustainability Implications

There are no carbon reduction/environmental sustainability implications arising from this report.

8 Appendices

None

Statutory officer Approval:

Approved by: Chief Financial Officer

Date: 11 November 2020

Approved by: Monitoring Officer

Date: 11 November 2020

This page is intentionally left blank



Report to Audit Committee

Subject: Mazars External Audit Report 2019/20

Date: 24 November 2020

Author: Assistant Director - Finance

1 Purpose of Report

To inform Members of the key findings arising from Mazars' (the Council's external auditors) audit work in respect of 2019/20

Recommendation:

THAT:

- 1) Members note the Mazars external audit report for 2019/20.

2 Background

- 1.1 It is a requirement that the Council's financial statements are audited on an annual basis and that in addition the auditors undertake all work necessary to support their conclusion on value for money (VFM).

3 Proposal

As external auditors, Mazars have substantially completed the audit of the Council's financial statements for 2019/20 and their Audit Completion Report is attached at Appendix 1. At the time of preparing this report, some final audit work on pensions remained outstanding, as the Council's Statement of Accounts cannot be signed off until the external auditor receives suitable assurances in respect of the Nottinghamshire Pension Fund audit. Further information will be given at the meeting. The external audit report also summarises the work done to support Mazars' conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources (the VFM conclusion). It is proposed that the report is noted.

4 Financial Implications

There are no financial implications directly arising from this report.

5 Legal Implications

Under section 4 of the Local Audit and Accountability Act 2014, the Council's accounts must be audited by an auditor appointed under the Act. Public Sector Audit Appointments (PSAA) has appointed Mazars for a period of five years commencing 1 April 2018 to act as Gedling Borough Council's external auditor. The general duties of the external auditor are specified in section 20 of the 2014 Act, requiring them to be satisfied in auditing the accounts that:

- The accounts comply with the requirements of the enactments that apply to them;
- Proper practices have been observed in the preparation of the Statement of Accounts, and that the statement presents a true and fair view;
- The authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

When the auditor has completed the audit of the accounts, they must enter onto the Statement of Accounts:

- An auditor's opinion on the statement;
- A certificate that the audit has been completed in accordance with the 2014 Act.

In carrying out their functions the auditor must comply with the Code of Audit Practice and have regard to guidance issued by the Comptroller and Auditor General under the Act. The Code of Audit Practice 2020 requires the auditor to produce an annual report which brings together all of the auditor's work over the year and present it to those charged with governance. The auditor's annual report should be published no later than 30 September, but where the auditor is unable to do this, they should issue an audit letter including a statement explaining the reason for the delay.

6 Equalities Implications

There are no equalities implications directly arising from this report

7 Carbon Reduction/Environmental Sustainability Implications

There are no carbon reduction/environmental sustainability implications arising from this report.

8 Appendices

Mazars Audit Completion Report 2019/20 (to follow)

Statutory officer Approval:

Approved by: Chief Financial Officer

Date: 13 November 2020

Approved by: Monitoring Officer

Date: 13 November 2020

This page is intentionally left blank



Report to Audit Committee

Subject: Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting (The Redmond Review).

Date: 24 November 2020

Author: Assistant Director - Finance

1 Purpose of Report

To provide Members with an update on recommendations arising from the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting (the Redmond Review).

Recommendation:

THAT:

Members note the report.

2 Background

In June 2019, the Government commissioned Sir Tony Redmond to undertake an independent review of the effectiveness of local audit and the transparency of local authority financial reporting. The findings from this review were published on 8 September 2020.

The guiding principles of the review were accountability and transparency, ie. how are local authorities accountable to their service users and taxpayers, and how are auditors accountable for the quality of their work; and how easy is it for those same individuals to understand how their local authority has performed and what assurance they can take from external audit work.

In summary, the review makes detailed proposals for a new organisation, with the “clarity of mission and purpose” to act as the system leader for

the local audit framework; and for a standardised statement of service information and costs, compared to the annual budget, that is aimed at taxpayers and service users. A link to the Report can be found at: <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

3 Proposal

3.1 The key findings of The Redmond Review can be summarised as follows:

a. Local External Audit arrangements

The most significant finding of the review is the lack of coherence in local audit arrangements:

- i. There appears to be no coherence in approach to the procurement of audit, and there are serious concerns regarding effectiveness of local audit;
- ii. Some of this is linked to the fee structure, and to a view that the cost is 25% lower than it should be, and as a result the quality of auditors has reduced;
- iii. There is concern that auditors do not have sufficient experience or knowledge of local authorities;
- iv. 40% of audits were not complete by the deadline for the 2018/19 Accounts.

b. Governance arrangements

This addresses the question whether Audit Committees understand the issues sufficiently to question and challenge in an effective way:

- i. There are relatively low numbers of independent Audit Committee members, and little communication between Audit Committees and inspectors;
- ii. There is little or no formal exchange of views.
- iii. There seems to be no real relationship between Audit Committee and Full Council, with very few reports going to Full Council;
- iv. There are questions on the role of the 3 statutory officers (Head of the Paid Service, S151 Officer and Monitoring Officer) in relation to Audit, ie. whether they engage with the auditor together on an informal or formal basis;
- v. Internal audit is not used much by External Audit, as the Code of Practice does not require them to liaise with internal audit work - although there is a feeling that they can assist;

- vi. There is not always the expertise in local authority finance departments in completing the accounts process.
- c. Reporting

Current arrangements do not allow the public to understand the accounts, and more can be done to improve the transparency of what local authorities do.

3.2 The recommendations in the Redmond Review centred on the three key areas above:

- a. Local Audits
 - i. A new Office of Local Audit Regulation (OLAR) will be established and have responsibility for procuring, managing, overseeing and regulating local audits. This will include the current responsibility fulfilled by Public Sector Audit Appointments (PSAA), National Audit Office (NAO) and Financial Reporting Council (FRC);
 - ii. There will be a Liaison Committee chaired by the Ministry for Housing, Communities and Local Government (MHCLG) comprising FRC, Institute of Chartered Accountants in England and Wales (ICAW), NAO, Chartered Institute for Public Finance and Accountancy (CIPFA), Local Government association (LGA) and authority representatives, as well as Probation, Home Office and Audit Partners. This would meet quarterly and provide link to the regulator and would provide facility for feedback and commentary in how the local audits are done;
 - iii. The OLAR could impose sanctions where there are significant issues in a local authority, e.g. if financial resilience issues where MHCLG are needed to intervene;
 - iv. The current fee structure for local audit should be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements;
 - v. The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified.
- b. Governance
 - i. At least 1 suitably qualified, independent member will be required on each audit committee;
 - ii. There will be a requirement for the 3 statutory officers to meet with External Audit annually;
 - iii. All audit committee members will have a requirement to be trained;
 - iv. The deadline for publishing audited local authority accounts should be revisited with a view to extending it to 30 September, from 31 July each year;

- v. An annual report to be presented to first Full Council meeting after 30 September from the External Auditor, irrespective of whether the accounts have been certified.
 - vi. Auditors must have skills and training but this also needs to be in place for local authority finance staff;
 - vii. There is a need for an induction/training mechanism for new s151 Officers on Final Accounts;
 - viii. The changes implemented in the 2020 Audit Code of Practice are endorsed; OLAR to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters.
- c. Financial Reporting
- i. A new standardised statement of services and costs will be required to enable a comparison of budget setting Council Tax information to outturn;
 - ii. CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary.

3.3 Conclusion

Implementation of the recommendations contained in the Redmond Review would, in part, require regulatory or legislative changes. Such changes are currently being considered, and a further report will be presented to the Audit Committee in due course.

4 Financial Implications

There are no financial implications directly arising from this report.

5 Legal Implications

There are no legal implications directly arising from this report.

6 Equalities Implications

There are no equalities implications directly arising from this report

7 Carbon Reduction/Environmental Sustainability Implications

There are no carbon reduction/environmental sustainability implications arising from this report.

8 Appendices

None

Statutory officer Approval:

Approved by: Chief Financial Officer

Date: 13 November 2020

Approved by: Monitoring Officer

Date: 13 November 2020

This page is intentionally left blank



Report to Audit Committee

Subject: Corporate Risk Management Scorecard Quarter 2 2020/21

Date: 24 November 2020

Author: Assistant Director - Finance

1. Purpose of the Report

To update members of the Audit Committee on the current level of assurance that can be provided against each corporate risk.

Recommendations:

That Members:

- Note the progress of actions identified within the Corporate Risk Register.

2. Background

The current Risk Management Strategy & Framework was last considered and approved by the Cabinet in October 2017.

The purpose of the Strategy and Framework is to define how risks are managed by the Council. It provides guidance on the processes, procedures, roles and responsibilities for risk, and it sets out the context on how risks are to be managed. It defines the key role for the Audit Committee as providing independent assurance to the Council with regard to the effectiveness of the risk management framework and the associated control environment. This includes the monitoring of the framework and ensuring the implementation of all audit actions.

The Corporate Risk Register is a key enabler of the Strategy and Framework, and provides assurance on the key risks identified as corporate risks.

Existing risks identified within both the Council's corporate and operational service risk registers are subject to quarterly review by senior management and on an ongoing basis through the work of Internal Audit.

3. Corporate Risk Register

This approach has meant that some of the risks included within the corporate risk register have been set at a relatively high score with the expectation that as mitigation measures are properly recorded or actions taken, then these risks should start to improve over the coming months. This is not to say that all risks will return to 'green', as mitigation measures can only go so far, and some risks may always be inherently 'red' or 'amber' as the score reflects the potential impact on the Council and the likelihood of that event occurring.

The Corporate Risk Register and supporting comments as at the end of September 2020 are appended to this report, and this includes a summary of all control gaps currently identified on the Council's Corporate Risk Register.

The last update of the Corporate Risk Scorecard was presented to Audit Committee on 7 July 2020 which provided the quarter 4 2019/20 position. Due to the required change to the timing of the Audit Committee meetings this financial year to accommodate the deferred reporting date for the Statement of Accounts to November as a result of Covid-19, this report now presents both quarters 1 and 2 monitoring of the Corporate Risk Scorecard together for consideration.

Members are fully aware of the risks arising from the national outbreak of the coronavirus, Covid-19. The impact, as at quarter 2, has been reflected in the risk register. The impact of Covid-19 has been reflected in a number of reports to Members including:

- Two Cabinet reports on 18 June 2020 detailing Gedling's response to the pandemic, proposing a Reset Strategy to include a review of the Gedling Plan to ensure that it remains fit for purpose and incorporates any new work streams arising from Covid-19 impacts;
- Quarter 1 (August 2020) and quarter 2 (November 2020) Cabinet budget monitoring and performance reports; and
- the draft Annual Governance Statement 2019/20 considered by this Committee in July 2020 and the draft Annual Statement of Accounts both published on the Council's website and now due to be considered at this Committee following conclusion of the external audit.

4. Financial Implications

None arising directly from this report.

5. Legal Implications

None arising directly from this report.

6. Equalities Implications

None arising directly from this report.

7. Carbon Reduction/Environmental Sustainability Implications

None arising directly from this report.

8. Appendices

Appendix 1 - Corporate Risk Register Monitoring – Quarter 2, September 2020

Appendix 2 - Risk Management Scoring Matrix

Statutory Officer Approval

Approved by: Chief Financial Officer

Date: 11/11/2020

Approved by: Monitoring Officer

Date: 11/11/2020

Appendix 1 - Corporate Risk Register Monitoring – Quarters 1 and 2, September 2020

1	<p>FAILURE TO PREVENT BUDGET OVERHEATING ONCE THE BUDGET HAS BEEN SET</p> <p>Owner: Alison Ball</p> <p>Current Risk and Direction of Travel: RED – Deterioration from Green B1 (Low likelihood; Negligible Impact)</p> <p>Definition:</p> <p><i>Shorter term implications of overspending budgets or not collecting as much income as forecasted. This can cause adverse impact on Council balances.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Serious - £50k - £500k</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarters 1 and 2:</u></p> <ul style="list-style-type: none"> • Quarter 1 budget monitoring was completed and reported to Cabinet for consideration on 6 August. Quarter 1 reported a projected overspend of £420k, primarily due to estimated net Covid-19 impacts, including deferred efficiencies, and the additional pay award above that budgeted of 0.75%. Cabinet approved the use of appropriate earmarked reserves to ensure the budget be maintained within Cabinet's maximum approved by Council. Whilst this position is improved from that initially expected at the time of the Quarter 4 2020 risk update, due to the announcement of further government funding including the income compensation scheme, the Cabinet report noted the significant uncertainty that still remained around the full impact of the Covid-19 pandemic. The risks recognised included a potential resurgence of the virus, rising demand pressures and income losses e.g ongoing leisure centre capacity restrictions, and noted that future adjustments may be recommended in order to maintain a balanced budget and appropriate allocation of resources; • Quarter 2 budget monitoring was completed and reported to Cabinet for consideration on 12 November. Quarter 2 indicates that expenditure will be contained within that approved at Quarter 1 i.e. after approved use of additional earmarked reserves to fund Covid impacts. Covid impacts have improved marginally and some income levels have recovered better than
---	---

	<p>initially forecast. Additional government emergency funding of £167k announced in October has enabled the reversal of £100k of the earmarked reserves usage approved at quarter 1 which, subject to no further pressures being identified, may now be available to support the future MTFP if required.</p> <p>Whilst a strategy has been identified to maintain a balanced budget as detailed above, the risks are now again increasing due to the emerging second wave of the virus requiring both local restrictions in Nottinghamshire and subsequently national restrictions, requiring further response activity and the closure of facilities. The 2020/21 budget will continue to be closely monitored and further mitigation measures may be recommended to secure a balanced position.</p>
2	<p>FAILURE TO MAINTAIN FINANCIAL INTEGRITY</p> <p>Owner: Alison Ball</p> <p>Current Risk and Direction of Travel: RED – No change (E4 major impact £500k to £1m)/very high likelihood)</p> <p>Definition:</p> <p><i>Affecting the ability of the Council to meet its financial commitments in the longer term.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Critical - £1m+</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>The Council's financial position remains extremely challenging and future funding remains uncertain.</p> <p>An increased risk level was reported in quarter 4 of 2019/20 due to the risks arising from the Covid-19 pandemic which remains unchanged as at quarter 2.</p> <p><u>Actions completed during quarters 1 and 2:</u></p> <ul style="list-style-type: none"> • Quarter 1 - MTFP scenario planning was considered by SLT incorporating the increased risks presented by Covid in terms of spending pressures and the impact on income levels due to the lockdown and potential ongoing demand levels. After accounting for estimated grant funding a shortfall of c£0.7m to £1.0m for the 2020/21 full impact was projected (not all arising during 2020/21 i.e. collection fund deficits impact in the following year) which would need to be funded from earmarked reserves and additional savings. The Government announced a further delay

in the Fair Funding Review and Business Rates retention scheme which further inhibits meaningful medium term financial planning at a critical time. SLT reviewed the current approved efficiency programme to identify items at high risk of non-delivery to determine if any replacement plans need to be developed during the 2021/22 budget process alongside plans to deliver the target of £250k approved by Council in March 2020 and £100k to fund to ongoing pressure of the 2020/21 pay award in excess of that estimated.

- Quarter 2 - A mid-year review of the MTFP considering the potential ongoing impacts of Covid-19 was completed by SLT and reported to Cabinet in November. The report details the key financial risks and presents a reasonable case scenario for the future ongoing impacts and the potential funding gap requiring mitigation measures in the absence of government funding being made available in the local government finance settlement. The Chancellor of the Exchequer has confirmed there will be a one-year only settlement which, along with the previously confirmed deferral of the Fair Funding Review and Business Rates retention scheme, continues to inhibit meaningful financial planning. In a reasonable scenario mitigation measures of the use of earmarked reserves and an additional efficiency programme of £400k will be required to maintain a balanced MTFP. The MTFP will be closely reviewed during the budget process and recommendations for mitigation measures will be made to Budget Council in March as appropriate. The second wave of Covid-19 further increases risks to the economy and securing a sustainable MTFP in the absence of future government funding via the Settlement.
- Monitoring of the Brexit impact and action plan has been completed and will continue to be reviewed. Brexit negotiations are continuing with a trade deal still not finalised and this uncertainty is recognised as an additional risk to the achievement of a balanced Medium Term Financial Plan.

Actions outstanding:

- Implementation of Advertising, Sponsorship and Marketing strategies to generate additional funding;
- Development of a Procurement and Contract Management Strategy to ensure value for money in purchasing.

3	<p>FAILURE TO PROTECT STAFF, INCLUDING HEALTH & SAFETY ISSUES</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE</p> <p>Definition:</p> <p><i>Ineffective systems, processes and equipment that can present danger to individuals or groups of employees.</i></p> <p>Key Risk Driver: Health & Safety</p> <p>Raw Risk Value: Major – Loss of life / major illness</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarters 1 and 2:</u></p> <ul style="list-style-type: none"> • Health and Safety annual risk assessment declarations were introduced and completed by Service Managers; • Covid-19 secure risk assessments have been completed by all service areas prior to staff moving back into our buildings as restrictions are lifted and as we re-instate services. An additional 104 risk assessments have been generated that are covid-related; <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Full implementation of emergency evacuation templates at each council location, delayed due to Covid-19; • Periodic reviews of Covid secure risk assessments in light of most recent government advice. • Transfer all completed risk assessments on to the e-system.
4	<p>FAILURE TO RECRUIT AND RETAIN STAFF, AND MAINTAINING INTERNAL CAPACITY</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE</p> <p>Definition:</p> <p><i>Associated with the particular nature of each profession, internal protocols, managerial abilities, and sickness levels.</i></p> <p>Key Risk Driver: Service Provision</p>

Raw Risk Value: Serious – Significant elements of a service suspended / reduced

Corporate Risk Register Outstanding Controls:

As a consequence of budget pressures, decreasing workforce, increasing workload and higher customer expectations we are seeing an impact on capacity and resilience which may result in a potential reduction in performance. Work is needed to help improve organisational capacity and resilience by developing the skills and abilities of key leaders and staff.

Actions completed during quarters 1 and 2:

- Implementation of the Agile Working Strategy is ongoing and was accelerated to enable the rapid implementation of home working due to Covid-19 restrictions with a fully agile combined risk assessment completed. The Agile Working business case was circulated to Service Managers for comment and will be considered at a future meeting of SLT;
- A benefit statement for employees has been completed and circulated to staff in June 2020.
- A first draft of the Workforce Strategy has been completed and approved by to SLT in October including an action plan and timeline for implementation

Actions outstanding:

- Workforce Strategy to be formally approved and implemented. The Strategy will seek to ensure that staff are creative, flexible and have the right skills to respond positively to the challenges that lie ahead;
- Final approval and implementation of the Agile Working Strategy business case.

5

FAILURE TO PROPERLY UTILISE EXISTING ICT, REACT TO TECHNOLOGY CHANGES, AND PREVENT DATA LOSS

Owner: Helen Barrington

Current Risk and Direction of Travel: RED – NO CHANGE

Definition:

The capacity of the Council to deal with the pace / scale of technological change, or its ability to use technology to address changing demands. Challenges over the security, storage and retention of both electronic and manual records, and data.

Key Risk Driver: Objectives

Raw Risk Value: Major – Directorate objectives not met

Corporate Risk Register Outstanding Controls:

Actions completed during quarters 1 and 2:

- An agreement has been reached with partners and the software provider of the Abrisas Housing Needs system for the separation of the database to secure GDPR compliance. Contracts for the implementation have been finalised and work commenced in August with completion expected by December 2020;
- General Data Protection Regulations – the delivery of the project plan to ensure that the Council responds to the requirements of the Act is essentially complete with ongoing compliance now the risk. Essential training for new staff and refresher training has been deferred due to Covid;
- Ongoing implementation of the Digital Strategy annual action plan which sets out a requirement that the technological solutions we invest in are used to their full potential;
- A staffing report to enable the establishment of the post approved in a resource development bid for an additional IT Technical Officer to support the delivery of key digital projects and ensure that the robustness of cyber system security processes are maintained, was approved by SLT and the post has been advertised.

Actions outstanding:

- Cyber Security risk assessment – the first draft has been considered by SLT and further information requested but the response has been delayed due to Covid-19. The Internal Audit Team (BDO) is currently undertaking an advisory cyber risk review which will support the conclusion of the risk assessment;
- Abrisas Housing Needs system amendments to be implemented;
- Ongoing implementation of the Digital Strategy action plan. The Strategy will be refreshed to ensure that it effectively supports the future three year Gedling Plan.

6

FAILURE TO PROTECT & UTILISE PHYSICAL ASSETS

Owner: Mike Avery

Current Risk and Direction of Travel: AMBER – NO CHANGE

Definition:

Buildings that are fit for purpose, safe, secure, and meet legislative requirements for fire, asbestos, and water-testing. Land, buildings and other assets to be recorded on a database.

	<p>Key Risk Driver: Health & Safety</p> <p>Raw Risk Value: Major – Loss of life / major illness</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarters 1 and 2:</u></p> <ul style="list-style-type: none"> • The rolling programme of condition surveys for all council-owned buildings is continuing and is now 75% complete; • Suitability and sufficiency surveys of all Council assets has commenced as part of the asset management planning process; • Parks Risk Review - plans to increase the level of tree inspection works to support the development of a tree register are in development; • Counter Terrorism Review – a security review has been completed by external agents and an action plan development which will now be reported to SLT for approval. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • A tree register is to be developed to support the parks risk review work; • Completion of the asset condition and suitability surveys; • Approval and implementation of the actions arising from the Counter Terrorism Review.
7	<p>FAILURE TO REACT TO CHANGES IN LEGISLATION</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE</p> <p>Definition:</p> <p><i>Associated with current or potential changes in national or European law which can lead to possible breaches of legislation. Assessing the wider implications of new legislation on both the Council and its residents.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Major - £500k - £1m</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarters 1 and 2:</u></p> <ul style="list-style-type: none"> • General Data Protection Regulations and Data Protection Act 2018 – the delivery of the project plan to ensure compliance is essentially complete with ongoing compliance now the risk;

	<ul style="list-style-type: none"> • Universal Credit implementation is ongoing. All government guidance is monitored but the pace of roll-out is slower than predicted. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Implement any outcomes from the Recycling and Waste Strategy consultation. Requirements may include an increase in recycling requirements and consequent funding implications but the outcome of the consultation is still awaited; • A new risk identified was identified in 2019/20: the Supreme Court is currently considering a case in respect of annual leave and associated payments for irregular workers e.g. casual workers, which may have consequences for all employers nationally – the outcome is awaited and the impact for the Council will be determined.
8	<p>FAILURE OF CONTRACTORS OR PARTNERSHIP ARRANGEMENTS – CONTRACTUAL BREACHES</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE</p> <p>Definition:</p> <p><i>Associated with the failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Serious - £50k - £500k</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarters 1 and 2:</u></p> <ul style="list-style-type: none"> • Implementation of the contract management module of the new procurement system is ongoing and the transfer of legacy information into the contracts register has commenced but implementation is delayed due to Covid with completion now expected in quarter 3 of 2020/21; • Client officer and construction management guidance and templates have been introduced. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Contract management processes are to be developed and implemented as part of the new e-procurement system; • A review of procurement and supply chain issues related to Brexit subsequent to trade negotiations.

9	<p>INABILITY TO DEFEND ONE-OFF CHALLENGES TO A COUNCIL DECISION OR NEW COMPENSATION TREND EMERGES</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE</p> <p>Definition:</p> <p><i>Councils are increasingly vulnerable to judicial reviews and new compensation claims.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Serious - £50k - £500k</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarters 1 and 2:</u></p> <ul style="list-style-type: none"> • None to be delivered. <p><u>Actions outstanding:</u> There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>
10	<p>FAILURE TO MAINTAIN SERVICE STANDARDS, CUSTOMER SATISFACTION, AND/OR MEET CUSTOMER EXPECTATIONS</p> <p>Owner: Helen Barrington</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE</p> <p>Definition:</p> <p><i>Related to channel shift to more digital on-line services but retaining the availability of face-to-face services. Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>The emergence of the Covid-19 pandemic has caused the deterioration in the assessed level of risk in quarter 4 of 2019/20. Covid-19 resulted in a number of service closures and suspensions in quarter 4 due, both to</p>

	<p>the government imposed restrictions, and the uncertainty of available staffing levels due to sickness, shielding and the prioritisation of critical services. The consequence is a possible adverse impact on service standards and customer satisfaction. Improvements in the risk level are expected as service levels return to normal but this could be impacted by a second outbreak of Covid 19. The impact is not expected to continue in the longer term.</p> <p><u>Actions completed during quarters 1 and 2:</u></p> <ul style="list-style-type: none"> Monitoring of complaints received for Covid-19 related impacts has been completed and initially did not indicate any significant issues during quarter 1. However, increased incidents of customer frustration have emerged during quarter 2 due to full service levels not being possible in all areas due to Covid. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> To continue complaints monitoring and resume service levels when the risks are reduced and staffing levels and government guidance enable us to do so.
11	<p>FAILURE TO PREVENT DAMAGE TO THE COUNCIL’S REPUTATION</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE</p> <p>Definition:</p> <p><i>Related to the Council’s reaction to a specific event or issue, or generally a downturn in quality of service.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarters 1 and 2:</u> Quarterly monitoring of performance information by SLT is an embedded process and timely management action is taken to address any service quality issues arising.</p> <p><u>Actions outstanding:</u> There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</p>

12	<p>FAILURE TO REACT TO AN ENVIRONMENTAL INCIDENT OR MALICIOUS ACT</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: GREEN – Improvement from Amber B3 to Serious Impact/Low Likelihood to B2 Minor Impact/Low Likelihood</p> <p>Definition:</p> <p><i>Council reaction to a natural occurrence e.g. widespread flooding, or other events such as fire and explosions.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>The emergence of the Covid-19 pandemic revealed some gaps in existing Business Continuity Plans meaning that some control gaps existed and the previously assessed risk level was too low.</p> <p><u>Actions completed during quarters 1 & 2:</u></p> <ul style="list-style-type: none"> • Cabinet approved the Business Continuity Policy and Business Continuity Impact Assessment Guidance in July; • All Business Continuity Impact Assessments have been reviewed and completed in accordance with the updates Business Continuity Policy ensuring a full suite of plans covering all risk events is now available. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Development of business continuity promotion page on the website.
13	<p>FAILURE TO REACT TO SOCIO-ECONOMIC TRENDS</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: GREEN - NO CHANGE</p> <p>Definition:</p> <p><i>Relating to the effects of changes in demographic, residential, or socio-economic trends on the Council's ability to meet its objectives.</i></p> <p>Key Risk Driver: Reputation</p>

Raw Risk Value: Serious– Adverse regional publicity

Corporate Risk Register Outstanding Controls:

Actions completed during quarters 1 and 2:

- The Senior Leadership Team receives economic indicator reports on a bi-annual basis that reports over the themes of homelessness, new homes, benefits and income, and local economy. SLT reflect on these demographic trends and ensure they are fully reflected in service planning processes to ensure needs continue to be met.

Actions outstanding:

- To undertake a 'Visioning' exercise to identify longer term forecasts for socio-economic trends and how these will be reflected in the longer term priorities for the Council to ensure services can meet future needs within available resources.

HIGH RISK AUDIT RECOMMENDATIONS RAISED IN PREVIOUS YEARS BUT NOT YET IMPLEMENTED:

There are no high risk audit recommendations from previous years that have not been addressed and implemented.

HIGH RISK AUDIT RECOMMENDATIONS RAISED IN THIS FINANCIAL YEAR:

There have been no high risk recommendations reported to date during 2020/21.

APPENDIX 2 - RISK MANAGEMENT SCORING MATRIX

L i k e l i h o o d	Very High	E				2	
	High	D			1		
	Significant	C		4	6, 7, 10	5	
	Low	B		11, 12, 13	3, 8,		
	Very Low	A			9		
			1	2	3	4	5
			Negligible	Minor	Serious	Major	Critical
			I m p a c t				



Report to Audit Committee

Subject: Internal Audit Progress Report 2020/21

Date: 24 November 2020

Author: Chris Andre –Internal Audit Assistant Manager (BDO)

1 Purpose of Report

To summarise the outcome of the internal audit activity completed by the BDO Internal Audit Team for the period June 2020 to November 2020.

Recommendation(s)

THAT:

- 1) Members receive the Report and note actions taken or to be taken.**

2 Background

- 2.1 The Internal Audit Plan 2020/21 was approved by the Audit Committee on 1 June 2020. This report provides a summary update on the reports issued in final by BDO in the period June 2020 to November 2020 and highlights associated key findings and any concerns identified in any work in progress.

3 Proposal

- 3.1 The following reports have been finalised since the last Audit Committee meeting:

2020/21 Report (Final)

- Sickness Management
- Council Tax & NNDR

4 Financial Implications

- 4.1 The Internal Audit Plan is delivered within the approved budgets

5 Legal Implications

- 5.1 None arising directly from this report.

6 Equalities Implications

6.1 None arising directly from this report

7 Carbon Reduction/Environmental Sustainability Implications

7.1 None arising directly from this report.

8 Appendices

8.1 BDO Internal Audit Progress Report 2020/21.



INTERNAL AUDIT PROGRESS REPORT

GEDLING BOROUGH COUNCIL

NOVEMBER 2020

IDEAS | PEOPLE | TRUST



CONTENTS

	Page
Summary of 2020/21 Work	3
Review of 2020/21 Work	4
Overview of Key Findings	5
Key Performance Indicators	6
Sector Update	7
Appendix I: Final Reports	11

SUMMARY OF 2020/21 WORK

This report is intended to inform the Audit Committee of progress made against the 2020/21 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

Internal Audit Methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in Appendix 1 of this report, and are based on us giving either "substantial", "moderate", "limited" or "no". The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

2020/21 Internal Audit Plan

The following audits have been issued in final since the last Committee:

- Sickness Management
- Council Tax & NNDR

The following audits have been issued in draft/are in progress and will be brought to the next Committee:

- Budget Management and Efficiency
- Commercialisation
- Health and Safety inc. Events
- Project Management
- Waste and Recycling

Reports for this Committee

- Follow Up of Internal Audit Recommendations

REVIEW OF 2020/21 WORK

Audit Area	Audit Days	Planning	Fieldwork	Reporting	Planned Audit Committee	Opinion	
						Design	Effectiveness
Budget Management and Efficiency	15	✓	✓		March 2021		
Commercialisation	15	✓	✓		March 2021		
Main Financial Systems inc. Payroll	18	✓			March 2021		
Council Tax & NNDR	12	✓	✓	✓	November 2020	Substantial	Substantial
Health and Safety inc. Events	12	✓	✓		March 2021		
Sickness Management	12	✓	✓	✓	November 2020	Substantial	Moderate
Taxi and PHV Licensing	15	✓			March 2021		
Cyber Risk Review	15	✓			March 2021		
Project Management	12	✓	✓		March 2021		
Waste and Recycling	15	✓	✓		March 2021		

OVERVIEW OF KEY FINDINGS

Appendix 1 of this report includes the full reports from those audits finalised since the last Audit Committee. However, below details the findings classified as High or Medium in those reports.

Audit	Number of High Findings	Number of Medium Findings	Key Findings Detail
Sickness Management	0	1	Stage 1 trigger points were not acted upon in two out of the 15 samples chosen (13%). In a further three instances where a stage 1 or 2 trigger point was reached, whilst the trigger points were acted on, the actions were delayed (by 7 months and 3 months respectively).

KEY PERFORMANCE INDICATORS

As part of our continued aim to deliver exceptional client service, we request that the completion of a short satisfaction survey after each audit. Please see below with regards to scores received from the audits completed thus far. We aim to achieve a minimum of 4 on each area on a scale of 1 - 5 with 5 being excellent.

Audit Area	Rate our understanding of the Business	Rate our communication	Rate the audit's contribution to adding value	Overall audit experience	Would you recommend BDO to others?	Any further comments
Budget Management and Efficiency						
Commercialisation						
Main Financial Systems inc. Payroll						
Council Tax & NNDR	4	5	4	5	Yes	-
Health and Safety inc. Events						
Sickness Management	4	5	5	5	Yes	A well-considered and thorough audit, well conducted. Useful comparator data included, thank you. Nothing particular to add to improve.
Taxi and PHV Licensing						
Cyber Risk Review						
Project Management						
Waste and Recycling						
Average	4	5	4.5	5	N/A	N/A

SECTOR UPDATE

Our quarterly Local Government briefing summarises recent publication and emerging issues relevant to Local Authorities that may be of interest to your organisation. It is intended to provide a snapshot of current issues for senior managers, directors and members. Topics include Finance, Covid, IT and Housing.

Finance

Thurrock Council borrows £125m from PWLB

Thurrock Council has taken out a £125m loan with a maturity of just two years from the Public Works Loan Board. The loan, set to mature in 2022 at a rate of 1.77%, was outlined in statistics compiled by the Debt Management Office. It is the first loan the council has taken out with the facility in 2020-21, after it borrowed £100m in March. It is unclear whether Thurrock is refinancing existing debt or using the loan for other purposes but PF had not received a reply from the council for information at the time of publication.

In June, the council rejected claims made in a report by the Financial Times which raised concerns over its investment strategy, that has seen the authority borrow more than £1bn in short term loans from other councils. The article said council officers had signed off loans from about 150 local authorities and council pension schemes, of which £702m of was in renewable energy deals.

Thurrock said it began to borrow from other authorities as it represented better value than the rates under the PWLB. A council report in July said that gross debt within the council is £1.4bn, with the majority consisting of loans from other local authorities at £1bn.

<https://www.publicfinance.co.uk/news/2020/11/thurrock-council-borrows-ps125m-pwlb>

A single year spending review a 'sensible decision'

However the IFS has suggested it is not possible in the current climate to set credible fixed spending limits. A report from the institute recommended a delay to decisions on spending in future years until some of the uncertainty over Covid-19, Brexit and the future of the economy has dissipated. In our view that would be a sensible decision, the uncertainties are just too great at the moment, not just about the future state of the economy and tax revenues but also about the future demands on public services that will need to be met."

The IFS added that however long the spending review will cover, it will be fraught with difficulties and there will be some tough choices facing chancellor Rishi Sunak.

These include how much of the £70bn additional funding for departments this year in response to the pandemic will be allocated for future plans, and if any of the Covid-19 expenditure is carried over on a permanent or semi-permanent basis.

<https://www.publicfinance.co.uk/news/2020/09/single-year-spending-review-sensible-decision>



Covid

Covid-19: Fighting fraud in real time

In unprecedented circumstances, the local authority response to the administration of Covid-19 business grants has been very good. The administration of grants was swift and local authorities used existing due diligence and robust measures to prevent fraud. In addition, they shared intelligence in real-time with NAFN to benefit others alongside accessing new services developed by both the public and financial sector to support prevention, verification and validation. This response has yielded excellent results and based on current intelligence, the value of prevention and recovery far outweighs recorded losses.

Fraud awareness during this time is widespread and the pandemic has highlighted the importance of:

- enhanced fraud awareness throughout public sector organisations;
- ensuring all officers have knowledge of the appropriate fraud reporting channels;
- provision of all the necessary tools to achieve required outcomes including an automated verification and validation system;
- increased resource in anti-fraud teams; and
- effective communication channels between anti-fraud, revenues, finance, payroll and procurement teams

<https://www.publicfinance.co.uk/opinion/2020/09/covid-19-fighting-fraud-real-time>

Government urged to address Covid-19 backlogs

The upcoming Comprehensive Spending Review must allocate funding to address record public service backlogs, CIPFA and the Institute for Government have warned.

The warning was made in a joint report which said that despite £68.7bn of extra funding since March, huge backlogs have developed as result of the pandemic, most notably in the judicial and healthcare systems. The report said the crown court case backlog is now equivalent to 56,000 cases, 42% higher than pre-pandemic levels and the highest in over 20 years.

CIPFA chief executive Rob Whiteman, said: “In a moment where public services are facing great, unprecedented challenges, we must be able to determine if they are ultimately reaching those they are intended to serve.

“There must be a clear plan from government on how short-term stimulus packages in the coming months will be aligned to a clear outcomes framework.

<https://www.publicfinance.co.uk/news/2020/11/government-urged-address-covid-19-backlogs>



IT

A cyber-attack in February cost Redcar and Cleveland Borough Council more than £10m, a report has revealed.

The report, presented to a cabinet meeting earlier this week, estimated the total cost of the attack to be £10.14m, and the council has been working with the government to receive financial support. The council said prior to the attack, it had appropriate cyber-security arrangements in place to meet the standards set out by the Public Services Network. However the attack did have quite a large effect on council operations, the report said. The report said: “In terms of our response to the cyber-attack, the council acted quickly and effectively, working extremely hard to mitigate the effects on our key services and most vulnerable residents. “However, the attack did permeate almost all functions of the council, and the required response and consequential impacts will have a bearing on the council’s finances. ”The report added the proposed financial support from the government would be used to fund additional costs, lost income and actions taken to reduce the impact of the attack. Any support provided in advance would be held in reserve and drawn down as required, the report said. Reports just after the attack in February confirmed the council suffered a ransomware attack with hackers demanding money to restore functionality to its IT system. Redcar said recovery and replacement work to the IT infrastructure and systems makes up £2.4m of the overall cost.



Since the attack, the council said it has made additional improvements to cyber defences, with “further upgrades” planned.

Redcar has also put itself on the list of pilot authorities to enrol on a National Cyber Security Centre scheme, which it said will make its cyber defences “more advanced” than most other local authorities. Elsewhere in the report, the council predicted Covid-19 has cost the council around £13m in lost revenues and additional costs, with £11.3m received from central government to date - leaving a funding gap of £1.65m.



There are multiple ways to reduce the risks of attacks like this, such as cold storage backups and reduced user access. However, it is important to have strong and layered security controls in place that can prevent attacks from being successful in the first place, or to be able to quickly detect and respond where they have been able to get into systems. Only then can organisations minimize the economic impact of cyber-attacks to a manageable level.”

Housing

Three LGPS funds invest £97m in housing

Local government pension schemes in Lincolnshire, South Yorkshire and Tyne and Wear have invested a combined £97m into a ten-year residential investment fund.



The fund will be managed by investment firm Hearthstone Investment Management and will invest in a portfolio of homes for [private rent](#) in areas with strong rental demand and lower supply. The houses and small apartment blocks will be aimed at families, professionals and key workers seeking long-term rented homes. Figures on the breakdown of investments by each of the three [LGPS](#) funds have not been disclosed. Jo Ray, head of pensions at Lincolnshire Pension Fund,

said “We were keen to invest in the residential sector, and in particular into a strategy involving houses and small block of flats.

<https://www.publicfinance.co.uk/news/2020/11/three-lgps-funds-invest-ps97m-housing>

New development levy set to boost revenue

How much money could local government raise from government plans to radically shake-up the process of negotiating developer contributions?

A white paper published in August proposes the biggest overhaul of the planning system in a generation, cutting regulations in order to accelerate the delivery of new homes across England.

The proposals would also introduce a new infrastructure levy to replace the system of securing developer contributions towards affordable housing, roads and schools.

The white paper called current arrangements “complex, protracted and unclear”, and said they result in proposals for an infrastructure levy would replace ‘complex, protracted and unclear’ developer contributions in uncertain outcomes, “which further diminishes trust in the system and reduces the ability of local planning authorities to plan for and deliver necessary infrastructure”.

However, Jacqueline Backhaus, partner at law firm Trowers & Hamlin, said that the mooted changes would “inevitably involve even less flexibility, as well as taking away the ability of local authorities to set the rates”. The proposed levy would replace planning obligations, negotiated with developers through Section 106 agreements, and the community infrastructure levy, which is charged by almost half of authorities.

<https://www.publicfinance.co.uk/news/2020/09/news-analysis-new-development-levy-set-boost-revenue>



Councils' capital activity suffers pandemic blow

Council investment in buying buildings dropped by 56% in the first quarter compared to last year, while spending on new construction projects fell just 14% according to government data.

Figures released by the Ministry of Communities and Local Government, based on returns from councils, showed the impact of the Covid-19 pandemic on capital spending between April and June.

Overall, quarterly capital expenditure dropped by 27% year-on-year, from £4.1bn to £3.0bn, while capital receipts fell 32%, from £465m to £318m. Scott Dorling, partner at law firm Trowers & Hamlin, said: “It is not surprising that local authority capital expenditure in the few months immediately following the pandemic is down compared with previous recent quarters.

<https://www.publicfinance.co.uk/news/2020/09/councils-capital-activity-suffers-pandemic-blow>



APPENDIX I - FINAL REPORTS



Gedling Borough Council

INTERNAL AUDIT REPORT

COUNCIL TAX AND NNDR
October 2020

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Substantial	Substantial

EXECUTIVE SUMMARY	2
DETAILED FINDINGS	5
STAFF INTERVIEWED	8
APPENDIX I - COVID-19: GOOD COUNCIL PRACTICE	9
APPENDIX II - DEFINITIONS.....	10
APPENDIX III - TERMS OF REFERENCE.....	11

DISTRIBUTION

Name	Job Title
Alison Ball	Assistant Director, Finance
Andrew Solley	Revenues Manager

REPORT STATUS LIST

Auditors:	Mona He
Dates work performed:	28 September - 16 October 2020
Draft report issued:	22 October 2020
Final report issued:	29 October 2020

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	Substantial	There is a sound system of internal control designed to achieve system objectives.
Effectiveness	Substantial	The controls that are in place are being consistently applied.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	0
Medium	0
Low	2

TOTAL NUMBER OF RECOMMENDATIONS: 2

CRR/BAF REFERENCE:

1. High performing Council, and Strong and Dynamic Council
2. Failure to maintain financial integrity.

BACKGROUND:

In 2019-20 the Council collected Council Tax and NNDR (Business Rate) totalling £71.8m and £22.6m respectively. This gave a recovery rate of 97.8% for NNDR, below the current target of 98.9%. It is paramount that all properties are identified, correctly valued and billed so that both revenue streams are maximised and accurately reflected in the accounts. The Council has a Council Tax Reduction Scheme Policy in place which sets out all the guidance around how rates are set, including eligibility for discounts applied. There is also national guidance regarding the charging of Business Rates and exemptions which should be applied. The Council Tax rates are set and allocated by band ratings, and Business Rates are set within parameters that are provided by central government for each tax year. Subsequently, the Council's revenue system is updated to reflect the appropriate rates for each property.

Council Tax and NNDR debt recovery was suspended during the peak of the lockdown due to Covid-19 and the first reminder for all accounts in arrears were issued to taxpayers in September 2020. Moreover, with various Covid-19 exemptions and discounts introduced to NNDR ratepayers, the collectable debt in 2020-21 has been reduced to £12m compared to £23m in 2019-20.

GOOD PRACTICE:

We identified the following areas of good practice:

- The Council has a Fair Collection and Debt Recovery Policy, providing guidance to staff, members and customers for the effective payment and recovery of Council Tax and NNDR debts. Various local procedural notes are also in place setting out step by step guidance for the Revenues team to follow on daily tasks, including bill raising, cash receipting, balance reconciliation, exemptions application, etc.
- The Council Tax base and rates are approved annually by Council - the 2020-21 base and rates were approved at the Board Meeting on 05 March 2020 when the budget was signed off.
- The Business Rates multipliers have been confirmed in the letter from the Ministry of Housing, Communities and Local Government in 24 February 2020.
- Billing parameters in relation to precepts and charges for both Council Tax and NNDR have been accurately input into the Civica System prior to the start of the new year.
- Council Tax and NNDR demands are issued on an annual basis during March each year. A reconciliation is completed between the Civica System and the number of bills issued to ensure that the correct number and value of demand notices were issued.
- Discounts and exemptions for Council Tax and NNDR have been granted to those eligible. No exception has been identified through our sample testing. Inspections are undertaken on a regular basis for properties claimed to be empty. When the discount/exemption circumstance will change in the future (eg exemption for resident under 18) a note will be input in the account and will flag up when the resident reaches 18. However we noted a few exception where insufficient detail has been input in the system (see details of findings below).
- On a weekly basis, the Revenues team checks the 'Analyse Local' system to identify any changes to the rating lists that they need to report to the Valuation Office Agency (VOA). A letter is also received from VOA with any updates and changes to the local properties (domestic and non-domestic), ie new built completion, band changes, etc. The Revenues team then update Civica with all changes to the properties and reconcile the balance of each property group against the VOA records.
- The Revenues team runs annual anti-fraud and credit checks via the National Fraud Initiative (NFI) website, coordinated by the Cabinet Office, matching electronic data within and between public and private sector bodies to help prevent and detect fraud. These include electoral database, police authorities, local probation boards, banks and telecom companies, etc. These checks can identify cases where a person claims to be living alone but is actually living with another adult. All high and medium risk cases/people are investigated by the Revenues team. Letters are sent to the property if potential fraud is detected. When no response is received to prove why there

are additional people registered at the property, the single person discount will be removed from the account.

- On a quarterly basis, the Performance and Project team collects and reports the data of the Council Tax and NNDR KPIs to the Council's Cabinet - Percentage of Business Rates Collected / Percentage of Council Tax collected. Although the KPIs have not been met in Q1&2, we understand that this is due to the economic impact of the pandemic.

KEY FINDINGS:

We have also identified the following areas where controls can be further strengthened:

- We tested a sample of 35 Council Tax accounts with discounts and exemptions applied, and found that in three cases insufficient information was recorded in the system to ensure adequate monitoring can take place in the future when the exemption circumstances may end (Finding 1 - Low).
- The Fair Collection and Debt Recovery Policy has not been updated before the due date (June 2020), due to different practices being introduced to respond to Covid-19 (Finding 2 - Low).

ADDED VALUE

We provided some good practice in relation to Council Tax collection, published by Local Council Association - 'COVID-19: good council practice', see details in Appendix I.

CONCLUSION:

Overall, the Council has sound controls in place, with comprehensive guidance and instructions provided to a dedicated Revenues team, ensuring Council Tax and NNDR debts are recognised, recovered, and monitored effectively. However, we noted some minor exceptions in the Council Tax accounts with discounts and exemptions that insufficient notes / inspection records have been input in the Civica system to ensure the period of eligibility can be captured. We are therefore providing substantial assurance on both design control and operational effectiveness.

DETAILED FINDINGS

RISK: DISCOUNTS ARE NOT APPLIED IN LINE WITH GUIDANCE AND WITHOUT RELEVANT SUPPORTING DOCUMENTATION BEING PROVIDED.

Ref	Significance	Finding
1	Low	<p><u>Council Tax</u></p> <p>Gedling Borough has discretion to reduce or disregard Council Tax for any such persons as it sees fit, allowed by section 13A(1)(c) of the Local Government Finance Act 1992. The Council provides various discounts and exemptions to the eligible residents, depending on their situation. The Revenues team is responsible for monitoring the residents' situation to ensure the tax reduction does not remain beyond the point when the eligibility ends, for example when the person turns 18, return home from hospital stay, completes the study sessions, etc.</p> <p>We tested a sample of 35 Council Tax accounts with different types of tax reduction claimed. However we found three cases where insufficient notes / inspection records have been input in the Civica system to ensure the period of eligibility can be captured:</p> <ol style="list-style-type: none"> 1. Ref 305044102 - Exemption D has been applied to the account as the tax payer has been detained in prison since 2017. However no release date has been recorded in the system, and no regular checks have been scheduled 2. Ref 305176997 - Exemption S has been applied to the account since 2007 as the occupier is under 18 years old. However there is no note recorded in the system to confirm when the person reaches their 18th birthday 3. Ref 303940717 - Exemption J has been applied to the account since 2015 as the tax payer has been away providing care. An inspection was carried out in July 2019 and in November 2019. The July inspection confirmed the property was empty, however the November inspection reported that furniture and ornaments were seen and didn't specify clearly if the property should be deemed empty. <p>We can confirm that all discounts and exemptions have been granted properly with sufficient evidence provided at the start of the claims. However, without oversight of the eligibility period end, there is a risk that the Council will undercharge for Council Tax due.</p>

RECOMMENDATION:

- A. The Revenues team should be reminded of their responsibility in recording sufficient information on the account holders' eligibility for tax reduction
- B. Regular spot checks should be undertaken on the accounts with tax reduction applied to ensure the end of eligibility can be identified in a timely manner
- C. Reports on key data fields such as age should be run monthly to ensure proactive checks are done with actions taken.

MANAGEMENT RESPONSE:

Agreed.

Responsible Officer: Andrew D Solley - Revenues Manager

Implementation Date: 31 December 2020

RISK: THE COUNCIL TAX AND NNDR POLICIES, INCLUDING THE COUNCIL TAX REDUCTION SCHEME, HAVE NOT BEEN APPROPRIATELY APPROVED AND ARE NOT SUBJECT TO REGULAR APPROVAL

Ref	Significance	Finding
2	Low	<p>The Council has a Fair Collection and Debt Recovery Policy, providing guidance to staff, members and customers for the effective payment and recovery of Council Tax and NNDR debts. The policy was due to be reviewed in June 2020 but the review was not undertaken due to changes made in the debt recovery process.</p> <p>Council Tax and NNDR debt recovery was suspended during the peak of the lockdown due to Covid-19 and the first reminder for all accounts in arrears were issued to taxpayers in September 2020.</p> <p>However, not updating the policy with changes made in the year will lead to the risk that there will be a lack of clarity over how to collect Council Tax and NNDR debt.</p>

RECOMMENDATION:

- A. The Fair Collection and Debt Recovery Policy should be reviewed and updated with changes to the process made as a result of the pandemic.

MANAGEMENT RESPONSE:

Agreed.

Responsible Officer: Andrew D Solley - Revenues Manager

Implementation Date: 31 December 2020

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Name	Job Title
Andrew Solley	Revenues Manager
Kerry Mortimer	Revenues Team Leader
Cara Brown	Revenues Team Leader
Jo Tanner	Senior Clerical Assistant - Revenues Services

APPENDIX I - COVID-19: GOOD COUNCIL PRACTICE

COVID-19 has resulted in rising unemployment (and underemployment) across the UK - a result being that many residents are now struggling to pay council tax. This poses a challenge for councils, who rely on council tax as a significant source of income, but in collecting these payments, do not wish to push residents into further hardship.

The Local Government Association has been collecting good practice examples of the remarkable work local Councils have been undertaking to address the challenges brought by COVID-19. We have seen the local government sector pool its resources, respond to new problems and innovate solutions, including to recovery and renewal. Please see below an example that Lewes District and Eastbourne Borough Councils introduced for more effective Council Tax collection.

Lewes District and Eastbourne Borough Councils have introduced an ethical debt collection system, which has helped to resolve this dilemma by making it possible to identify residents who are genuinely struggling to pay their debts versus those who have the ability to pay.

The system works by matching individual bureau credit files against Council Tax residents' data in order to identify if residents with outstanding council tax debts have continued to pay priority and/or non-priority debts and those who are not paying either. Based on that information, the system then classifies residents as belonging to one of three groups:

- A. residents who are financially stable paying priority and non-priority debts
- B. residents who are paying non-priority creditor debts
- C. residents in significant debt who may be facing hardship.

In this way, Lewes DC and Eastbourne BC have been able to reduce incidents of tax avoidance while helping to connect vulnerable residents with support.

This system, which was developed by Ascendant Solutions within the space of a week, has proven immensely effective. Three weeks after its launch, the councils have received £200,000 in outstanding council tax payments which otherwise wouldn't have been collected; the split of overall income is as follows - £100, 000 from residents who immediately paid on receipt of a letter (no follow up call required); and £100,000 from residents who received the letter and who spoke with an advisor on the telephone and made payment, in some cases meaning a new instalment plan was agreed.

Residents in all categories receive an auto-generated letter requesting payment, however the message varied depending on the group. Letters to residents in groups 2 and 3 offer links to potential sources of support around managing debt and building income and owing that residents in group 3 may struggle to make payments at all, the letter sent to this group also offers contact details for hardship assistance. It is understood that residents in the first group have the financial resources available to pay so residents in this group do not receive these additional details.

APPENDIX II - DEFINITIONS				
LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX III - TERMS OF REFERENCE

PURPOSE OF REVIEW:

To assess and review the design of controls and their effectiveness with regards to Council Tax and NNDR.

KEY RISKS:

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the key risks associated with the area under review are:

- The Council Tax and NNDR policies, including the Council Tax Reduction Scheme, have not been appropriately approved and are not subject to regular approval
- Properties are incorrectly identified, valued and billed with the system not reconciling to VOA returns
- The reinstatement of council tax debt recovery was not instituted accurately in line with Council policy. The process to issue demands, including follow-up notices for outstanding balances, from July 2020 onwards is not completed and processed in a timely manner
- Amendments to demands are not subject to appropriate approval and not followed up accordingly
- Discounts are not applied in line with guidance and without relevant supporting documentation being provided. The single person discount review conducted by the Council is incomplete and/or follow up actions as a result of learnings have not been taken
- Reporting against KPIs is infrequent and insufficient, leading to inappropriate actions being implemented.

SCOPE OF REVIEW:

The overall objective in undertaking this internal audit is to ensure, through a process of systems evaluation and compliance testing, that there is an appropriate control framework in place to mitigate against the risks highlighted above. To do this we will consider the following:

- Review Council policies and guidance in relation to Council Tax and NNDR
- Review the reconciliation process between VOA returns and the Council's systems
- Undertake sample testing of the recovery process and its timeliness
- Undertake sample testing of new and ongoing discounts and exemptions to confirm the correct documentation has been provided and review the single person discount work completed by the Council
- Review performance monitoring reports.



GEDLING BOROUGH COUNCIL

INTERNAL AUDIT REPORT

SICKNESS MANAGEMENT
 SEPTEMBER 2020

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Substantial	Moderate

IDEAS | PEOPLE | TRUST



EXECUTIVE SUMMARY	2
DETAILED FINDINGS	7
OBSERVATIONS	16
STAFF INTERVIEWED	17
APPENDIX I - BENCHMARKING GEDLING BOROUGH COUNCIL'S SICKNESS MANAGEMENT POLICY TO FOUR SIMILAR SIZED LOCAL AUTHORITIES	18
APPENDIX II- SICKNESS DATA ANALYSIS AND BENCHMARKING GEDLING BOROUGH COUNCIL'S SICKNESS ABSENCE DATA TO OTHER LOCAL AUTHORITIES.....	27
APPENDIX III - USEFUL INFORMATION	30
APPENDIX IV- DEFINITIONS.....	33
APPENDIX II - TERMS OF REFERENCE	34

DISTRIBUTION

Helen Barrington	Director of Organisational Development and Democratic Services
David Archer	Service Manager - Organisational Development

REPORT STATUS LIST

Auditor:	Charlotte Thomas Max Armstrong (Appendices)
Dates work performed:	Initial testing 20-21 and 27-31 July Further testing 6-12 and 31 August
Draft report issued:	17 September 2020
Final report issued:	08 October 2020

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	Substantial	There is a sound system of internal control designed to achieve system objectives.
Effectiveness	Moderate	Evidence of non-compliance with some controls that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS:

High	0
Medium	1
Low	4

TOTAL NUMBER OF RECOMMENDATIONS: 5

CRR REFERENCE:

Failure to recruit and retain staff, and maintaining internal capacity

BACKGROUND:

The effective management of sickness absence is key in both fostering a positive workplace environment, and in ensuring high productivity levels within the workplace. For the public sector, ultimately it also ensures good quality customer service for the residents served by local authorities. Gedling Borough Council is a Council that values the health and wellbeing of its staff and its approach to sickness management is one that aims to ensure that staff feel supported and positive about their place of work.

The key performance indicator used by the Council to monitor sickness absence performance is 9 days lost per full-time employee (FTE) per year. This equates to roughly 4% of total working days per FTE being lost to sickness absence per year, a standard rate within the public sector. This is monitored at senior leadership team (SLT) level and also at the quarterly Joint Consultative Safety Committee (JCSC).

In January 2020, it was reported to the JCSC that sickness absence levels had risen from 3.49% in November 2018 to 3.65% in December 2019. To address this, in teams where the absence rate is above target, service managers were subsequently required to provide regular meaningful comment to Senior Leadership Team about the reasons for absence. Also, service managers are asked to detail what measures are being put into place to control the absence and to support people back into work where this is appropriate. Structured “case management” meetings were implemented to ensure that employees on long-term absence are properly supported and managed. In the most recent JCSC meeting (August 2020), it was reported that these “case management” meetings had not been able to take place for a period of time during the height of the Covid-19 lockdown period. The effect of Covid-19 related sickness absence was also reported, although it was noted that Covid-19 related absence figures had started to decline significantly since June 2020.

Overall, sickness absence had increased again since January, standing at 9.85 days lost per FTE in August 2020, which misses the target performance indicator of 9 days and equates to 4.5% of working days lost per FTE. It was highlighted at the JCSC that there has been an

increase in long-term sickness absences in particular service areas (Revenues and Welfare Support; Parks and Street Care and Transport and Waste) which has impacted on the overall statistics. Whilst this is a concerning rise, it should be noted that within the context of the public sector as a whole, this rate is not considered alarming, and, as demonstrated in the JCSC reporting, it is something that the Council is conscious of and aiming to improve. In addition, it is noted that with the exception of Revenues and Welfare, the other two teams include physical and public-facing work, which may be contributing factors to absences particularly in light of Covid-19. Discussions at the outset of the audit with the Director of Organisational Development and the Service Manager, Organisational Development indicated that cases of long-term sickness absence were well-known and as much support was being offered as possible in order to help staff return to work.

The sickness absence process at Gedling Borough Council involves monitoring the length and frequency of sickness absences. A stage 1 trigger point occurs once an employee has taken either 10 working days or 4 separate occasions of sickness absence in 12 months, and a stage 2 trigger point occurs if the employee does not meet the agreed conditions as determined in the stage 1 meeting, or if there are 10 working days or 4 separate occasions of sickness absence within 24 months. Once an employee reaches the final trigger stage, unless there are mitigating circumstances, the result is redeployment or dismissal. A 'SC1 form' is completed by the line manager and the employee on the employee's return to work, which documents key information such as the first and last date of the absence and reason for the absence. It also prompts the line manager to state how many sick days the employee has taken in the past 12 months, how many cases of sickness absence there has been, and to confirm whether or not a trigger has been met.

As part of this audit, we picked a sample of twenty absences and five Covid-19 related absences for testing and reviewed these cases to ensure that the sickness absence policy had been followed in the processing of these absences. We also benchmarked the Council's sickness absence policy to those of four other similar sized local authorities; analysed the overall sickness absence data, interviewed key staff members and line managers, and reviewed the current sickness absence reporting documents and minutes.

GOOD PRACTICE:

The following areas of good practice were identified:

- **Policies & Procedures:** The Council has a clear sickness management policy in place, which covers both short and long-term absences and outlines clear responsibilities for staff, managers and HR. The policy is available on the intranet and printed versions are also available in each department
The Policy was benchmarked to policies of four similar sized local authorities and it was found that Gedling Borough Council's was the strongest we reviewed. The GBC Policy trigger points for Stage 2 and 3 were far more specific and robust than the other similar sized authorities; they were based on tangible and measurable absences rather than the manager's discretion as to whether further escalation is required. Basingstoke & Deane BC also used measurable escalation trigger points which were far more generous than GBC's. Please see Appendix III for full comparison
- **Covid-19:** There is a process in place for managing Covid-19 related absences, which follows the guidance set out in the Local Government Association (LGA) circulars. Such absences are recorded on a different code in the Northgate system which enables HR to distinguish the case and exempt it from the sickness absence trigger process. Testing of five cases demonstrated that this was being followed. However a minor finding was noted around the quality of completion of the SC1 forms which could include more detail in relation to the Covid-19 related cases (see Finding 2 - Training)

- HR Support: Line managers interviewed felt well-supported by HR in that they could contact them with any issues and receive a quick and helpful response and some evidence of ad hoc refresher training was obtained. Staff also demonstrated that they knew where to access sickness management related information from (for example, the Employee Handbook, on the intranet, along with the specific policies), evidencing that information is transparent and available
- Documentation: SC1 forms were on file for all of the staff tested, where staff had returned to work. Fit notes from the staff members' doctors were also obtained where staff absence had exceeded 8 days, per the policy
- Adherence to the policy: Of the sickness absence cases reviewed that met a stage 1 or stage 2 trigger point (15 of 20), evidence was obtained that the majority (10 of 15, 66%) had been processed according to policy (i.e. a meeting had taken place and a formal notification letter issued, in a timely manner). In terms of wider testing however (i.e. expanding this to include the Covid-19 related cases and cases that did not reach a trigger point), 80% of cases tested were processed in line with the sickness absence policy
- Reporting: Extensive sickness management reports are generated monthly. These are sent to the heads of each service. The reports comprise:
 - Monthly trends
 - Year to date (YTD) trends
 - Summary of trends - bar chart
 - Monthly sickness absence occurrence for the month
 - Trigger report - stage 1 triggers
 - Trigger report - stage 2 triggers
 - Trigger report - final stage
 - Guidance notes are also provided to each manager.

In theory this enables line managers to ensure that they are proactively managing sickness absences within their teams.
- Reporting: There is oversight at SLT and Member level via quarterly reporting to both SLT and the JCSC
- Actions: Clear examples of the Council analysing its data and taking actions to address underlying issues was evident via the minutes to the JCSC. For example, in the August 2020 meeting, an appendix analysing the sickness absence data to March 2020 was included, highlighting the 3 main reasons for sickness absence as being anxiety and stress (not necessarily work-related); post-operative recovery and back problems. There has been an Organisational Development work programme that fast-tracks referrals to a local physiotherapy service to help employees with certain types of muscular -skeletal conditions. This has had a positive effect with a 66% reduction in absence due to muscular-skeletal problems between 2018/19 and 2019/20
- The Council has also implemented the 'Dying to Work' charter, which aims to alleviate the stress and financial concerns of employees in the event of a terminal diagnosis by giving an individual options around how they want to proceed at work.

KEY FINDINGS:

During the audit we found the following:

- Stage 1 trigger points were not acted upon in two instances (2 of 15; 13%) In a further three instances where a stage 1 or 2 trigger point was reached, whilst the trigger points were acted on, the actions were delayed (by 7 months and 3 months respectively). (Finding 1, Medium).
- Policy: It was noted that the Sickness Management Policy documents were not dated and version-controlled, and did not provide a link to the additional Covid-19 guidance. For completeness this would be recommended (Finding 2, Low).
- Training: There is no formal training process in place at the Council with regard to sickness absence, although ad hoc training is available. For instance, there is no record to confirm that when a staff member takes on line management duties for the first time, that they have completed a training session with HR on this. (Finding 3, Low).
- Completion of SC1 forms: The quality of completion of the SC1 forms varied between line managers. It was also raised by staff that the paper-based nature of the SC1 form was time-consuming and an online version of the form would be both more efficient and more effective in keeping sensitive personal data securely. (Finding 4, Low).
- Occupational health contract monitoring: There is no formal process in place to monitor the performance of this contract and ensure that the Council is receiving value for money, although it is accepted that the options are limited in the geographical region and the Service Manager has informally assessed the rates offered by the provider (Finding 5, Low).

ADDED VALUE

We have performed benchmarking exercises against similar local authorities both in terms of the policy and sickness absence data (Appendices III and IV) and have included some additional links for best practice regarding managing Covid-19 related absences in these appendices.

CONCLUSION:

Overall, the Council has a robust system in place to identify, monitor and report on sickness absences, which is generally being adhered to, as evidenced by the benchmarking to other local authorities undertaken as part of this audit.

Our testing however found some issues relating to the implementation of the policy, indicating that a minority of line managers may either feel uncomfortable implementing the policy or did not understand the policy thoroughly. With a more formal and thorough training schedule this is likely to be resolved.

Whilst the current sickness absence performance data has shown a further increase in sickness absence in the past quarter, it should be remembered that this audit was conducted during the Covid-19 pandemic and also that the statistics are shaped by some long-term illnesses, including one terminal illness, which the Council is aware of and doing all it can to support the individuals involved back to work where feasible. The fact that there is rigorous oversight of sickness absence data by the Council, and that case management meetings can now be reinstated provides mitigation against this dip in performance. As stated in the Executive Summary, an overall figure of 9.85 days lost per FTE is not uncommon in the public sector, thus the current performance is not of undue concern, provided that performance improves again with the reinstatement of the case management meetings.

DETAILED FINDINGS

RISK: SICKNESS CASES ARE NOT REPORTED ON A TIMELY BASIS AND NOT MANAGED/ESCALATED EFFECTIVELY. THE ACTION MANAGERS TAKE IS NOT EFFECTIVE IN REDUCING LEVELS OF SICKNESS WITH INSUFFICIENT EVIDENCE BEING RECORDED OF THE ACTIONS TAKEN

Ref	Significance	Finding
1	Medium	<p>Management of triggers</p> <p>Of the twenty cases tested between June 2019 and June 2020, fifteen related to cases that had at least reached the stage 1 trigger. Of those fifteen cases:</p> <ul style="list-style-type: none"> • Twelve related to a stage 1 trigger (four exceptions found) • 2 related to a stage 2 trigger (one exception found) • 1 related to an absence in-between stage 1 and stage 2 (no issue noted). <p><u>Stage 1 trigger exceptions:</u></p> <p>Of the twelve stage 1 trigger cases, in 2 cases, Occupational Health was consulted and it was clarified that the reasons for sickness absence met the criteria of the Equalities Act and were therefore exempt from the trigger system. Of the remaining ten cases, four exceptions were noted. In 2 cases the trigger had not been processed (stage 1 meeting and letter did not occur); and in the remaining 2 cases there was a delay in processing the trigger.</p> <p><i>Lack of trigger processing:</i></p> <ul style="list-style-type: none"> • In one instance the line manager had been absent when the individual returned to work so this had been missed. It was confirmed during the audit that the meeting has now been scheduled. • In the second instance, the individual has been off for a long period of time relating to anxiety and the illness of their partner. Whilst it was confirmed that the individual had been in regular contact with the Council, it was expected that the reaching of the trigger point should have been recorded. The Senior Personnel Officer stated that they have now been in touch with the manager to refer the individual to Occupational Health in case the issues involved are in relation to the Equalities Act; and to try and formulate a plan for possible return to work <p><i>Delays in processing the stage 1 trigger:</i></p> <ul style="list-style-type: none"> • In one case, it was evident from the full sickness absence record reviewed that the stage 1 trigger had been met previously and this would likely constitute a stage 2 trigger, however, the stage 1 letter was not issued until March 2020 (the absence reviewed was August 2019). • In another case, whilst the trigger was recorded on the SC1 form, the meeting and letter did not occur until three months later. It transpired that there had been a misunderstanding of the Policy by the line manager and therefore it was not until HR conducted a review that the trigger was identified which explains the delay. <p><u>Stage 2 trigger exception:</u></p> <p>One exception noted relating to the delayed processing of a stage</p>

2 trigger. Whilst a meeting was held and notification letter issued, these were not timely and occurred over a month after the individual returned to work.

If trigger meetings are not held in line with the Policy, or not conducted early enough, there is a risk that the root problem for the employee is not understood and resolved where possible and/or further triggers are missed because the records are not up to date.

Further, it was noted that whilst it is good practice that the Council ensures it understands whether the reasons for sickness absences prompting triggers fall under a protected characteristic as stipulated under the Equalities Act (for example, relating to a chronic illness/disability), the fact that this then exempts that person from the standard sickness management procedures, whilst compassionate, could reduce the accountability of individuals. The Council may wish to consider agreeing customised sickness absence targets in such cases.

RECOMMENDATION:

- A) The exceptions where a trigger meeting has not been convened despite the trigger being reached, and/or where the meetings and notification letters were not organised in a timely manner should be discussed with the relevant line managers who should be offered training if there are any gaps in the understanding of the policy
- B) The Council should consider whether alternative, customised sickness absence goals should be set in the case of employees with conditions under the Equalities Act, rather than these individuals being unmonitored in relation to sickness absence.

MANAGEMENT RESPONSE:

A) Agreed

B) Agreed -

To be included for consideration in future policy review. Build into OD work programme for 2021/22

Responsible Officer: Service Manager Organisational Development

Implementation Date: A) 30/11/20
B) 31/3/22

RISK: THE SICKNESS MANAGEMENT POLICY IS NOT EFFECTIVE IN MANAGING SHORT AND LONG TERM SICKNESS

Ref	Significance	Finding
2	Low	<p>Sickness Management Policy</p> <p>Whilst a robust policy is in place, it was noted that the Sickness Management Policy documents were not dated and version-controlled, and did not provide a link to the additional Covid-19 guidance.</p>

RECOMMENDATION:

- A) The Policy should be dated and version controlled. A link to the Covid-19 guidance should be included.

MANAGEMENT RESPONSE:

A) Agreed

Responsible Officer: Service Manager, Organisational Development

Implementation Date: 30/11/20

RISK: MANAGERS ARE NOT RECEIVING APPROPRIATE TRAINING IN DEALING WITH SICKNESS ABSENCE MANAGEMENT, RETURN TO WORK INTERVIEWS AND MANAGING OF LONG TERM SICKNESS

Ref	Significance	Finding
3	Low	<p>Training</p> <p>There is no formal training programme for new managers, or defined refresher training for existing managers, that is recorded centrally, however, ad hoc training is available. Over the past 18 months due to restructures at the Council there have been a number of staff members 'acting up' into managerial roles and the HR team try to contact each of them to arrange a 1:1 session to show them the system. The delivery of this is not recorded so it was not possible to verify that these occurred. Through discussion with a sample of four service managers we found that none had received training per se, however, the majority were already experienced and were confident that they could call HR and ask for advice or support whenever it was needed. All referenced the fact that information could also be found in the Employee Handbook on the intranet. In addition, all confirmed that they had received regular updates on how to manage sickness absence in light of Covid-19.</p> <p>However, during testing there was at least one case where the line manager had not triggered the stage 1 notification process due to a misunderstanding of the Policy, indicating that there may be some need for training for lower level line managers.</p> <p>In addition, our testing around the Covid-19 related cases found that the SC1 forms varied in the quality of completion. In three of the five SC1s, it was not initially recorded what type of symptoms the staff members had where the staff member was symptomatic (instead stated generic 'Covid-19') and if not symptomatic, did not state the reason for self-isolating or who had advised this and how long the isolation period should last. It was also not recorded whether or not staff members had been tested or not; however it is accepted that the sample was taken from the start of the pandemic when testing was not widely available. Finally, whilst there is a box on the SC1 that poses the question of whether the staff member is able to undertake duties from home, this was often answered 'no' without any detail as to whether this was because of the nature of the job role itself, or because the staff member was symptomatic and physically unable to. Moving forward, it is recommended that this is added to the detail required for potential Covid-19 cases.</p>

RECOMMENDATION:

- A) Formal training should be prepared for new line managers in accordance with needs identified by the appointing manager and whenever a new line manager is appointed training should be offered to them

- B) HR should record the date that they deliver their 1:1 sessions with staff members
- C) The training should also include some detail around the recording of Covid-19 related cases. For example, this could include a reminder to line managers to record the following:
- Details of the symptoms (and to note if not symptomatic)
 - Whether the staff member has been tested and details of the results if so
 - If the staff member has been told to self-isolate to document the source of this advice and the length of the isolation period
 - Ensure that the question about whether alternative duties can be undertaken from home (in non-symptomatic cases) is completed in sufficient detail (i.e. if the person is not symptomatic but this is not possible, to state why not).

MANAGEMENT RESPONSE:

- A) Agreed. The induction documentation can be adapted to allow this identification. A “carousel of learning” is planned to be implemented at the start of 21/22 designed to equip new (and existing) managers with a skill set to enable more effective management. This will include the management of sickness absence.
- B) Agreed.
- C) Agreed in principle however this may become time-dated -better to say training delivered should be dynamic and reflect relevant topics such as how to manage outbreaks of infection that may be prolific at the time of training. Covid-19 guidance is available on the intranet already. We could issue a reminder about where this information is located on the intranet.

Responsible Officer: Service Manager, Organisational Development

Implementation Date: Commence 1/4/21

RISK: SICKNESS CASES ARE NOT BEING REPORTED ON A TIMELY BASIS AND NOT MANAGED/ESCALATED EFFECTIVELY. THE ACTION MANAGERS TAKE IS NOT EFFECTIVE IN REDUCING LEVELS OF SICKNESS WITH INSUFFICIENT EVIDENCE BEING RECORDED OF THE ACTIONS TAKEN

Ref	Significance	Finding
4	Low	<p>SC1 forms and return to work interviews</p> <p>Completion of the SC1s: Of the 17 SC1s obtained, the following was found:</p> <ul style="list-style-type: none"> • In one case, the question asking the line manager to confirm whether a trigger point had been reached was left unanswered • In one case, the date of the absence did not exactly match the dates in the report as the last date of absence was recorded as one day earlier on the SC1. It transpired that this was a typo on the SC1. There was no detrimental effect as the trigger process still took place • In one case, the employee had not signed the employee section • The average number of working days between the last day of sickness absence and the return to work interview was 5.25 days; however removing two outliers of 20 and 33 days, the average was 2.2 days. Discussion with management found that the delays were likely due to the line managers being away themselves and/or the coordination of diaries was difficult until those dates. <p>Paper-based nature of the SC1s: At least one line manager interviewed expressed discontent with the amount of paperwork involved with the SC1s and stated that it would both save time and help keep personal information stored more securely if the SC1s could be an online rather than paper-based method of recording sickness absence. This was discussed with the Service Manager, Organisational Development who confirmed that steps had already been taken to investigate this. It appears feasible and they plan to carry this forward.</p>

RECOMMENDATION:

- A) Line managers should be reminded that all parts of the SC1 form should be fully and accurately completed
- B) Return to work interviews should be completed as soon as possible and ideally within a week of the employee returning
- C) The Council should consider implementing online SC1 forms and in the meantime remind managers of the need to ensure that sensitive personal data is stored securely.

MANAGEMENT RESPONSE:

- A) Agreed
- B) Agreed
- C) Agreed

Reminder will be issued in the short term and long term development has already commenced (although not prioritised at the moment) - possible placement into work plan for OD for 2021/22

Responsible Officer: Service Manager, Organisational Development

Implementation Date: 30/11/20 (Reminders)
31/3/22 (development of on-line forms)

RISK: PERFORMANCE INDICATOR REPORTING ON SICKNESS LEVELS IS NOT BEING REPORTED ON A TIMELY BASIS AND THE COUNCIL DOES NOT TAKE ACTION ON THIS OPERATIONALLY AND STRATEGICALLY.

Ref	Significance	Finding
5	Low	<p>Occupational Health</p> <p>Current reporting does not cover the performance of the occupational health contract (contract value: less than £10,000 per annum). Discussion with the Senior Personnel Officer indicated that there is no formal contract management of this service. The Service Manager did state however that the service is paid on a rates basis and he had informally reviewed the prices to ensure that they were competitive. In addition, the options that are available in close geographical terms are limited.</p> <p>Nonetheless, if the occupational health contract is not being performance managed there is a risk that the Council is not obtaining value for money from the contract.</p>

RECOMMENDATION:

- A) The Council should define its expectations from the occupational health contract and measure performance against these expectations on a periodic basis in order to satisfy itself that it is receiving value for money. For instance, this could be setting out some headline expectations in terms of staff satisfaction surveys of those who have used the service; the effectiveness of workplace adjustments recommended by OH; the number of referrals and timeliness in response to the referrals; outcomes of referrals and the resulting either lost or gained hours in productivity. The content of the expectations should be whatever is feasible to monitor given current capacity.

The contract costs should also be compared with those of other providers. Given the low financial value of the contract the review against expectations and costs could be annual rather than quarterly.

MANAGEMENT RESPONSE:

- A) We accept wanting to ensure VFM and return on investment but there is a real danger here of using valuable resources in a very small team to try to produce data that will be very hard to compile and be dubious at best in terms of validity. Whatever we do needs to be proportionate. Happy to undertake periodic cost comparisons of the schedule of rates. Through the Notts HR Group we do periodically compare (through discussion) OH service providers in terms of their general service provision (fast/ vfm/ advice being meaningful and timely). The consensus is that they are all pretty much of a muchness; not a PI approach but arguably as effective without being a drain on resources.

Responsible Officer: Service Manager, Organisational Development

Implementation Date: 31/03/21

OBSERVATIONS

SICKNESS DATA ANALYSIS

Analysis of sickness absence data as a whole over the 12 months from June 2019 to June 2020 (see Appendix IV) found that the five most common reasons for absence were:

- Depression, stress or similar: 14.9%
- Cold, flu, sore throat or similar: 13.4%
- Digestion: 10.8%
- Operation or post-operative recovery: 8%
- Back problems: 7.4%

It should be noted however that whilst the levels of depression/stress are the highest of each category, a comparison to NHS workforce data shows that the levels of depression/stress within the NHS is 25.5%.

As reported to the JCSC in August, there had been an action to run workshops within service areas to support both employees affected by mental health issues and managers who may have affected employees within their team, but that the delivery of the sessions had to be postponed due to Covid-19. It is hoped that these will be delivered in 2021. This would be a welcome measure.

The benchmarking of sickness absence data (Appendix IV, page 26) to other similar size local authorities found that historically GBC has generally performed either at a par or better than other local authorities in relation to sickness absence. The table on page 25 compares sickness absence data for the most recent reporting period for those councils as at July 2020. Here, Gedling had the highest rate of sickness absence, however, the comparative figures are pre Covid-19 (the most recent figures available being up to March 2020) and therefore should be considered in that context. It is likely that the comparative figures are now higher but due to waiting for reporting cycles from the local authorities it is not possible to verify this at this point in time.

Our analysis also found that the average length of sickness absence was 7.7 days, which appears high. It is acknowledged that this is skewed by the long-term sickness absences which have already been identified by the Council. The question of how to manage long-term sickness, particularly in the context of the demographic of an ageing workforce, where chronic conditions and therefore longer periods of absence are more likely, taps into a wider national discussion. It is therefore recommended that the Council ensures it keeps up to date with this conversation and is open to any recommendations that result from national work in this area.

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Helen Barrington	Director, Organisational Development and Democratic Services
David Archer	Service Manager, Organisational Development
Irene Oxborough	Senior Personnel Officer
Andrew Solley	Revenues Manager
Terry Ball	Operations Manager - Parks and Street Care
Nic Bond	Customer Services Manager
John McQueen	Assistant Manager within Leisure Services

APPENDIX I - BENCHMARKING GEDLING BOROUGH COUNCIL'S SICKNESS MANAGEMENT POLICY TO FOUR SIMILAR SIZED LOCAL AUTHORITIES

Northampton BC	Basingstoke & Deane BC	Charnwood BC	Harlow Council
<ul style="list-style-type: none"> • Sickness absence informing of managers and consequential procedures are almost identical to GBC • The absence management process is similar • Dates and triggers for Stage 2 and 3 of GBC's absence management policy appear much clearer with definitive performance requirements compared to NBC's policy which allows for the managers discretion to be more easily used 	<ul style="list-style-type: none"> • Sickness absence informing of managers is the same as GBC, i.e. must call them by 10am but it is less comprehensive in terms of the 4-day and 8-day check • The absence management procedures are very similar • The Stage 2 triggers appear to be more generous than GBC's however the other stages of the process are aligned 	<ul style="list-style-type: none"> • The policy does not give a time-frame for reporting sickness, just that it should be reported and is less comprehensive around the 8th day of the process • Return to work procedures are very similar • The absence management procedures are reasonably similar except there are fewer date triggers and there is an additional hearing stage which appears more generous than GBC 	<ul style="list-style-type: none"> • The policy is reasonably similar with regards to dates but they have a 3-week meeting with the employee which is not part of the GBC policy • Return to Work procedures are similar • The absence management stages are reasonably similar but the Stage 2 and 3 trigger points in the GBC policy are far more specific and based on numerical values rather than managers discretion
<p>Conclusions:</p> <ul style="list-style-type: none"> • The GBC Policy was the most robust policy we reviewed • The GBC Policy trigger points for Stage 2 and 3 were far more specific than the other similar sized authorities, they were based on tangible and measurable absences rather than the managers discretion as to whether further escalation is required. Basingstoke & Deane BC also used measurable escalation trigger points which were far more generous than GBC's • All local authorities appeared to have very similar sickness management approaches, i.e. an informal meeting followed by a formal meeting and then finally a hearing, however GBC went straight to a formal meeting at Stage 1 following the triggers being hit which differed to the other authorities • Of the 4 authorities that used Stage 1 trigger points GBC were slightly harsher than the others with a trigger being hit if the employee had 4 separate sickness absence occasions in the past rolling 12-month period. For the other 3 local authorities the trigger point was hit after 3 occasions of sickness absence in a 6-month rolling period. Therefore although the occasions of sickness absence is slightly lower for a trigger point to be hit, the period under review is half. 			

Please see below for details of each policy.

GEDLING BC

Fact File

Workforce Size: 489

DAY 1

Call the line manager before 10am and inform them of:

- Nature of illness
- Estimated duration of illness
- Plans to seek medical advice
- Telephone number

DAY 4

Employee should contact their line manager to inform them how long they expect to be absent

DAY 8

A medical certificate should be obtained by the employee and sent to the line manager. Salary payments cannot be made to employee without the medical certificate

For industrial injuries, the manager should record it in the Accident Reporting Book and complete an Accident Report Form, reporting any days missed to the Safety Officer

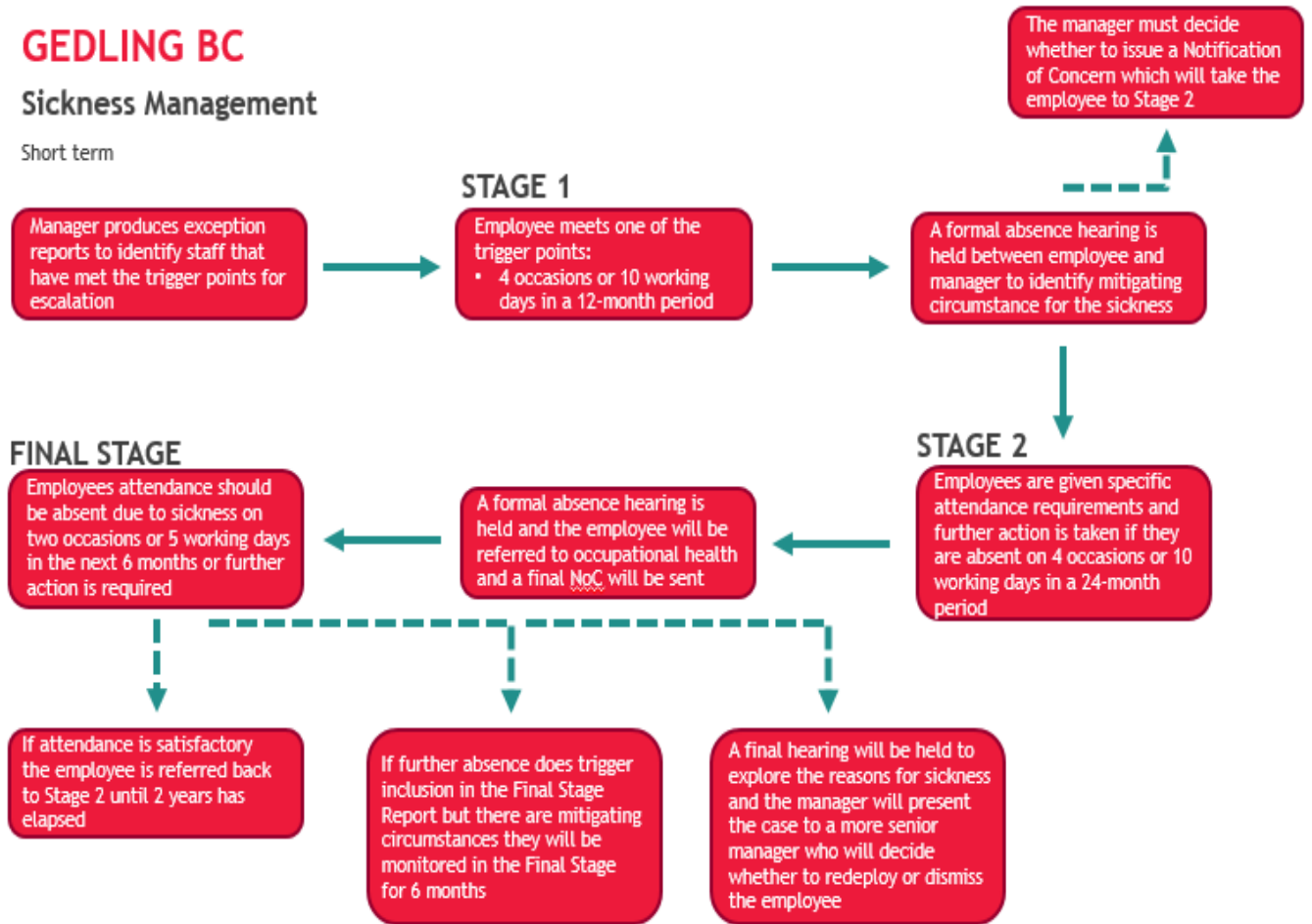
Return

Employee returns and a return to work meeting is held between the employee and the line manager to confirm they are fit to carry out their duties

GEDLING BC

Sickness Management

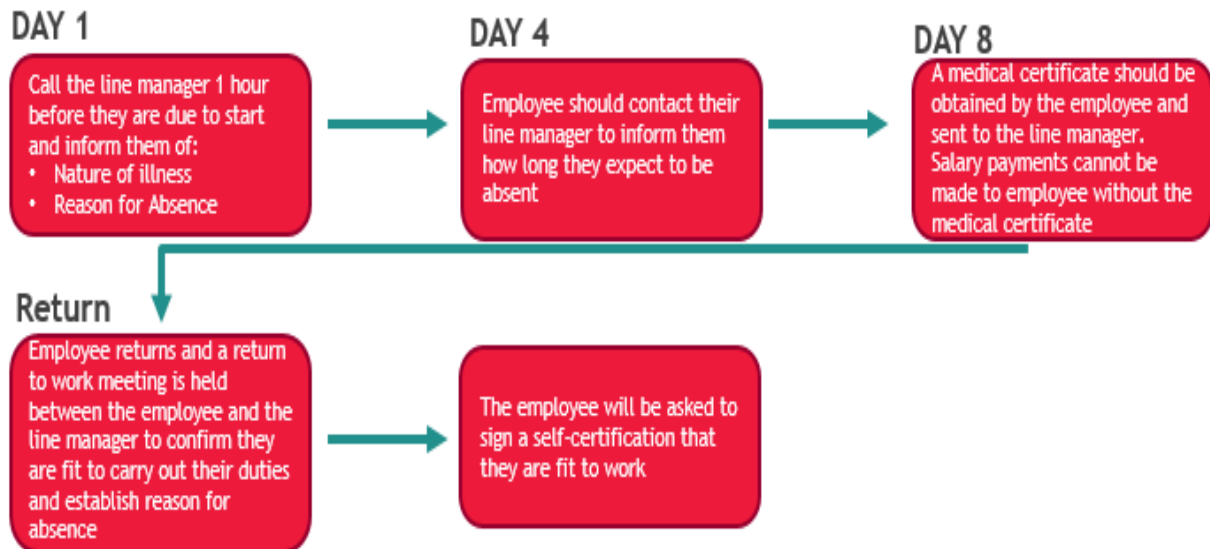
Short term



NORTHAMPTON BC

Fact File

Workforce Size: 357



NORTHAMPTON BC

Sickness Management

Short term

STAGE 1

Employee meets one of the trigger points:

- 3 occasions in a 6-month period
- 10 days in a 12-month rolling period
- Unusual patterns of absence are identified



An absence meeting is held to discuss:

- Attendance records and absence reasons
- Consider adjustment to improve attendance
- Agree action plan and targets to improve attendance

Line manager to monitor performance and assess whether to invoke the formal procedure



STAGE 2

At the manager's discretion the employee may be moved to the formal procedure, this could also be following a referral to Occupational Health



Absence review meeting with a Senior Manager to review attendance records, review actions taken to support continued employment and sustainability of the absence



STAGE 3

If attendance has not improved there will be a Final Absence Review meeting with the Director to explore alternative arrangements or to terminate the employment



Employee can appeal against the formal warning within 10 days of the letter confirming the absence review outcome



Employee can appeal against the formal warning within 10 days of the letter confirming the absence review outcome

BASINGSTOKE & DEANE COUNCIL

Fact File

Workforce Size: 555

DAY 1

Call the line manager before 10am and inform them of:

- Nature of illness
- Estimated duration of illness
- Plans to seek medical advice
- Others that they have been in contact with

DAY 8

A medical certificate should be obtained by the employee and sent to the line manager. Salary payments cannot be made to employee without the medical certificate

Return

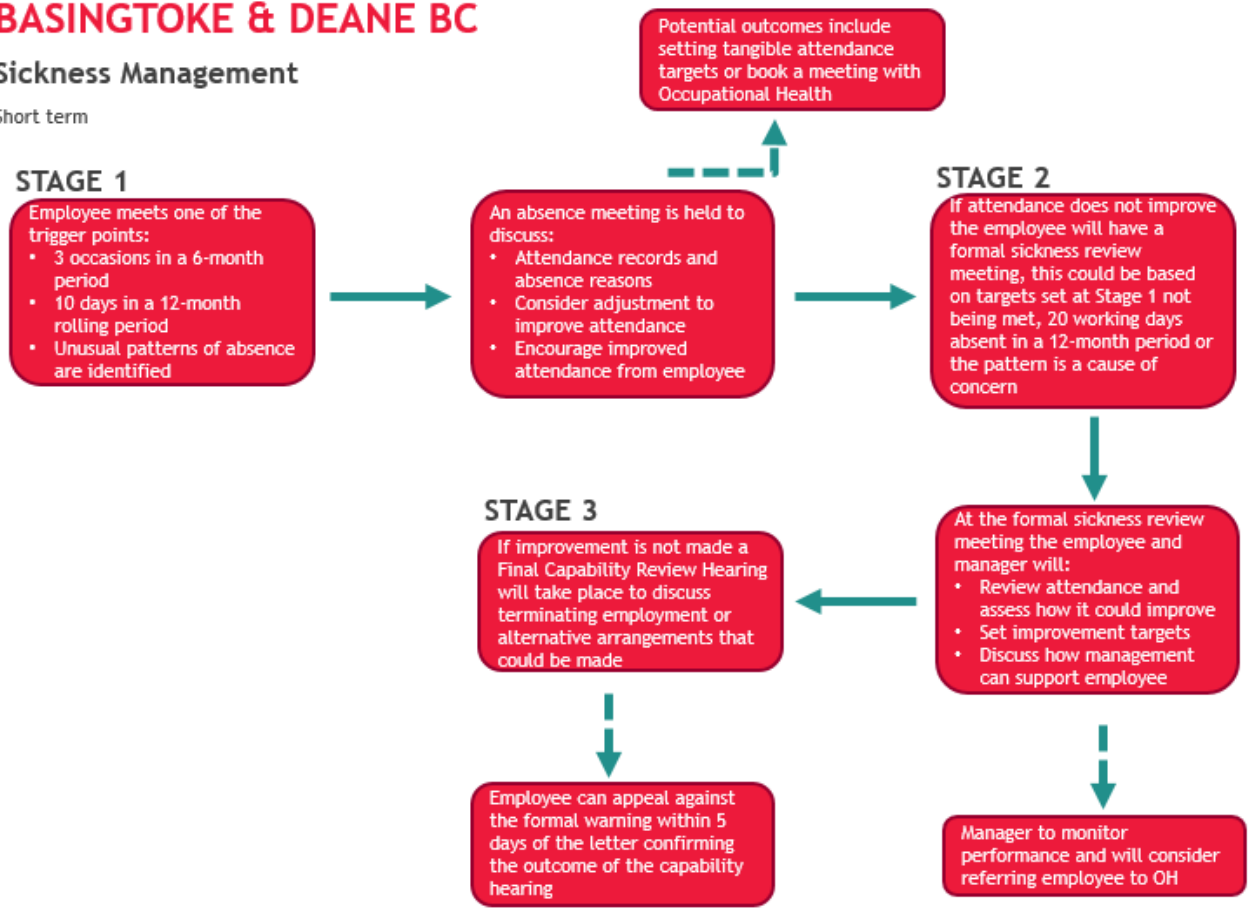
Employee returns and a return to work meeting is held between the employee and the line manager to confirm they are fit to carry out their duties. They must complete a Fit to Work Statement

If the medical note is not received by the 12th day of sickness absence then the employee will not be entitled to SSP

BASINGTOKE & DEANE BC

Sickness Management

Short term



HARLOW COUNCIL

Fact File

Workforce Size: 474

DAY 1

Call the line manager 1 hour before they are due to start and inform them of:

- Nature of illness
- Reason for Absence

For industrial injuries, the manager should record it in the Accident Reporting Book and complete an Accident Report Form, reporting any days missed to the Safety Officer

DAY 8

The line manager should be contacted to confirm that the employee is still sick. A medical certificate should be obtained by the employee and sent to the line manager.

3 WEEKS

A visit to the employees home or in a mutually beneficial location should take place to discuss the reasons for the absence and the potential for when the employee will return

Return

Employee returns and a return to work meeting is held between the employee and the line manager to confirm they are fit to carry out their duties. They must complete a Fit to Work Statement

HARLOW COUNCIL

Sickness Management

Short term

STAGE 1

Employee meets one of the trigger points:

- 3 occasions in a 6-month period
- 2 occasions totalling 10 days in a 6-month rolling period
- Unusual patterns of absence are identified



An informal meeting is held to discuss:

- Attendance records and absence reasons
- Consider adjustment to improve attendance
- Improvement targets

The manager summarises the meeting in a letter



An interim meeting is scheduled 3 months later to assess improvements or further escalation of absence



STAGE 2

If there is insufficient improvements in the employees attendance then a formal review meeting will be called



At the formal review meeting the employee and manager will discuss:

- Reasons for absence
- Actions against the targets set at the informal meeting
- Outline the support available
- Set tangible targets



An interim meeting is scheduled 3 months later to assess improvements or further escalation of absence and a final written warning will be issued to the employee



STAGE 3

Head of Service will inform the employee they need to attend a formal meeting if attendance fails to improve, confirming the final written warning



At the formal meeting the Head of Service and employee will discuss:

- Reason for absence
- Attendance records
- Set improvement targets
- Inform employee that failure to improve could lead to dismissal

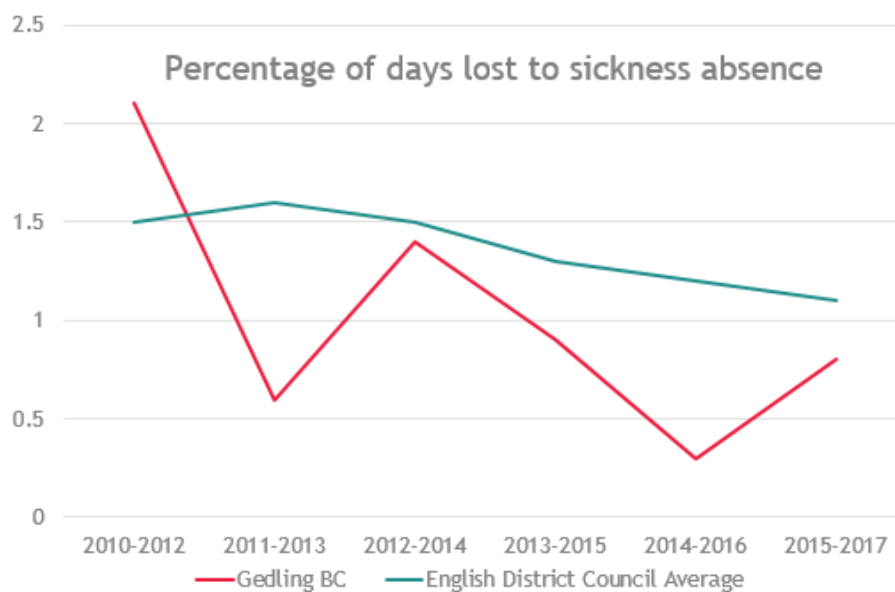
APPENDIX II- SICKNESS DATA ANALYSIS AND BENCHMARKING GEDLING BOROUGH COUNCIL'S SICKNESS ABSENCE DATA TO OTHER LOCAL AUTHORITIES

SICKNESS DATA ANALYSIS

Data Type	Result	Audit Comments
Most common reason for sickness absence during the year	<p>Top 5 reasons for sickness:</p> <ul style="list-style-type: none"> • Depression stress or similar (14.9%) • Cold, flu, sore throat or similar (13.4%) • Digestion (10.8%) • Operation or post-operative recovery (8%) • Back Problem (7.4%) 	<p>Depression is the most common reason for sickness absence with almost 15% of the total sickness absence. We compared this to the NHS for the period October to December 2019 which showed that Anxiety, stress and depression accounted for 25.3% of sickness absence. In total 181 days were lost to depression, stress or similar.</p>
Average working days spent on sick absence	<p>The total number of working days lost to sickness absence was 3,491 days which was accrued by 454 occasions of absence meaning that the average duration of absence was 7.7 days</p>	<p>On average, each occasion of sickness absence resulted in over a week and a half of time off. Over the 12 month period reviewed a total of 62 staff members had at least 10 working days absent which should trigger Stage 1 sickness protocols.</p>
Days lost to sickness absence per time of year	<ul style="list-style-type: none"> • 1 July to 30 September 2019 - 867.5 days • 1 October to 31 December 2019 - 653 days • 1 January to 31 March 2020 - 903.5 days • 1 April to 30 June 2020 - 1067 days 	<p>The most days were lost to sickness absence between April and June 2020 compared to other quarters, possibly due to Covid-19.</p>
Working days lost to sickness absence by section of the Council	<p>Top 3 number of working days lost by section of the Council:</p> <ul style="list-style-type: none"> • Parks & Street Care - 806 days • Transport & Waste - 722 days • Leisure Services - 624 days 	<p>Parks and street care staff accounted for 23.1% of the total number of working days lost to sickness absence. The top 3 constitute 61.6% of all working days lost to sickness absence.</p>

HISTORICAL TREND

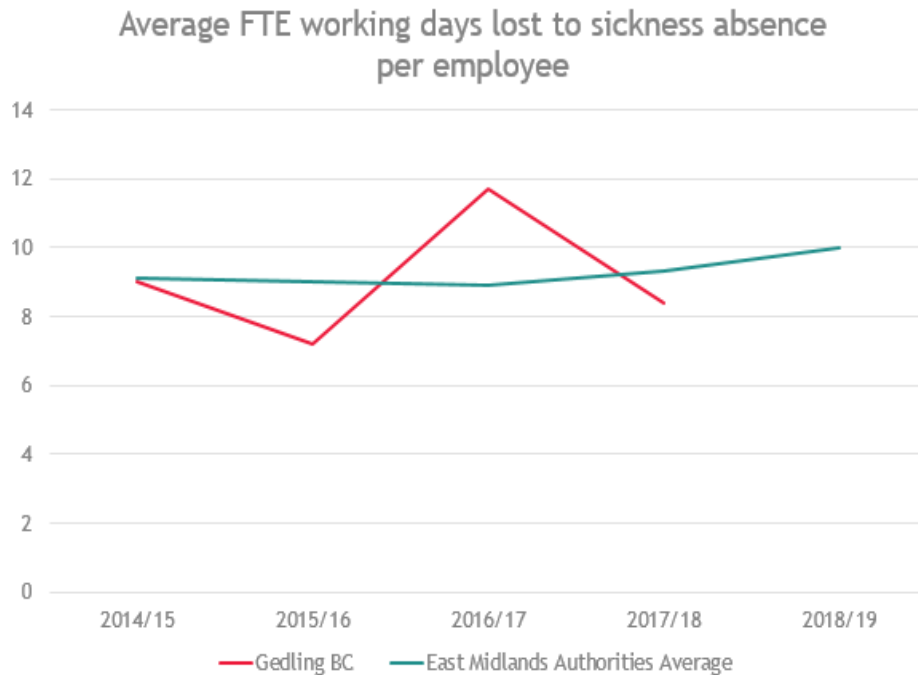
Comparing Gedling BC historical performance on sickness absence against other authorities



The graph shows the historical trend of percentage of days lost to sickness absence during different rolling 2-year periods. Gedling BC have fluctuated in performance year on year however have a general downward trend and performed better than the English District Council average in the same period.

FTE DAYS LOST TO SICKNESS ABSENCE - HISTORICAL TREND

Comparing FTE days lost to sickness absence at Gedling BC against other east midlands local authorities



We compared the average working days lost per employee over the past 5 years for Gedling BC against other East Midlands local authorities. We found that the data showed Gedling BC were generally in line with the East Midlands average with the exception with one year.

RETURN TO WORK AFTER LONG-TERM SICKNESS - PRIVATE VS PUBLIC SECTOR

Organisation	Policy Recommendations	Audit Comments
Chartered Institute of Personnel and Development	<ul style="list-style-type: none"> Produced an absence management survey report in 2016 The use of return to work (RTW) interviews is reducing however it remains the most common method used to manage long-term sickness, followed by use of Occupational Health Of the respondents to their survey, 65% of public services organisations stated that they adopted flexible working to manage long-term sickness and 76% stated that they used trigger points Some methods that the private sector use far less than the public sector include: managers taking primary responsibility (38% vs 63%); manager training in absence handling (29% vs 60%; and, providing staff with stress counselling (24% vs 63%). 	The report found that public service employers provided a far wider range of techniques to manage long-term sickness absence and that occupational health was the most effective way to manage long-term sickness absence but other methods which score well include conducting RTW interviews and using trigger points. The report shows that whilst the public sector use more methods, the working days lost per employee per year are c3% high than in private services sector.
BDO Sickness Absence Policy	<ul style="list-style-type: none"> Where an employee has been off work for 20 consecutive calendar days the manager is required to communicate with HR to assess the situation The manager will meet with the employee regularly to discuss returning to work - the frequency of these meeting is dependent on the case Occupational health may be consulted with by HR and the firm may request a medical note Outlines procedures for terminating employment if absence continues for an extended period 	The BDO policy is far less centred around trigger points and is more stringent than the Council's policy, i.e. dismissal will be considered for extended periods of sickness absence. BDO use methods such as referring to OH and undertaking RTW interviews and making adjustments for the employee to return.
COOP Ongoing Absence Policy	<ul style="list-style-type: none"> Employee must obtain a Fit Note from their doctor and they will then be invited to a health review meeting to obtain additional information about the reason for absence and, whether they are attending medical appointments and when they may return to work If the employee continues to be absent the manager will arrange a further health review meeting and the employee should be referred to OH → no specific timescales for this. At this point they should consider adjustments to working requirements, a phased return, ill health retirement A final review meeting will be held if the absence continues where the manager will hold a meeting with the employee to discuss the continued absence reasons. At this stage the manager may consider ending the employee's employment on the grounds of capability. 	COOP's policy provides several stages of meetings between the employee and the manager but does not use specific time trigger points - escalation is at the discretion of the manager. Furthermore, the use of OH is mandatory at the Stage 2 meeting. Like the BDO policy, the COOP's policy outlines is more stringent on the employee dismissal front.

CIPD 2016 ABSENCE MANAGEMENT REPORT

The table below shows the CIPD's research findings on absence management techniques in the private and public sector

Of the responses obtained about techniques deployed by organisations to manage absence they stated

Technique	Private Sector (% used)	Public Sector (% used)
Return to work interviews	72	89
Trigger mechanisms to review attendance	61	88
Providing managers with sickness absence info	66	79
Disciplinary Procedures for unacceptable absence	56	61
Line manager primarily responsible for absence management	53	72
Flexible working	47	68
Occupational health involvement	35	78
Managers trained in absence handling	37	64
Employee assistance programmes	38	53
Changes to working patterns	36	55
Restricting sick pay	44	23
Take absence record into consideration when deciding promotions	12	15
Attendance bonuses or incentives	6	4
Attendance driven by the board	3	12
Attendance record is a recruitment criterion	4	11

USEFUL LINKS FOR MANAGING SICKNESS DURING COVID-19

ACAS have provides advice to employers for managing sick pay during self-isolation periods caused by Covid-19. They supply advice on the application of SSP during self-isolation and what the employer can claim back.

<https://www.acas.org.uk/coronavirus/self-isolation-and-sick-pay>

The British Medical Association provides advice to employees on managing the return to work of employees that have confirmed/suspected cases Covid-19. The advice is aimed at employees but is also applicable to employers.

<https://www.bma.org.uk/advice-and-support/covid-19/your-health/covid-19-your-wellbeing/managing-sickness-and-return-to-work>

Unison have developed an employee advice document for staff suffering from Covid-19 and their rights relating to sickness absence during the period.

<https://www.unison.org.uk/content/uploads/2020/06/Covid-19-Pandemic-Bargaining-over-Sickness-Absence-v5.pdf>

HM Government have produced guidance for a range of sectors on how to work safely during Covid-19. This covers areas such as managing risk, maintaining social distance in office spaces, managing customers and visitors and workforce management.

<https://assets.publishing.service.gov.uk/media/5eb97e7686650c278d4496ea/working-safely-during-covid-19-offices-contact-centres-100720.pdf>

Argyll & Bute Council have developed a FAQ page on their website for Council staff for questions surrounding work arrangements during Covid-19.

<https://www.argyll-bute.gov.uk/coronavirus/advice-council-staff>

APPENDIX IV- DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE

High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of this review is to review the design and operational effectiveness for the recording and management of sickness absence within the Council, both within HR and wider line management. This review will also benchmark sickness levels between departments to identify operational best practices.

KEY RISKS:

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the key risks associated with the area under review are:

- The Sickness Management Policy is not effective in managing short and long term sickness and there are no guidelines in place around Covid-19
- Covid-19 cases and suspected Covid-19 cases are not being processed according to agreed processes
- Managers are not receiving appropriate training in dealing with sickness absence management, return to work interviews and managing of long term sickness
- Sickness cases are not being reported on a timely basis and not managed/escalated effectively. The action managers take is not effective in reducing levels of sickness with insufficient evidence being recorded of the actions taken
- Performance indicator reporting on sickness levels is not being reported on a timely basis and the Council does not take action on this operationally and strategically.

SCOPE OF REVIEW:

The following areas will be covered as part of this review:

- Review of the Sickness Management Policy including how they were produced, what they cover, whether they were approved and whether staff understand them
- Assess training in this area and whether arrangements are effective
- Review how sickness cases are reported and then managed/escalated including an assessment of the action managers take and how they record evidence of this to comply with the policy
- Assess performance indicator reporting and how the Council takes action on this operationally and strategically.

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

APPROACH:

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control through use of a range of tools and techniques.

BAF/CRR REFERENCE:

Failure to recruit and retain staff, and maintaining internal capacity

FOR MORE INFORMATION:

Greg Rubins

+44 (0)7710 703441

Greg.rubins@bdo.co.uk

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

© 2020 BDO LLP. All rights reserved.

www.bdo.co.uk

This page is intentionally left blank



Report to Audit Committee

Subject: Internal Audit Follow Up Report 2020/21

Date: 24 November 2020

Author: Chris Andre – Internal Audit Assistant Manager (BDO)

1 Purpose of Report

To detail the outcome of the follow up process completed by the BDO Internal Audit Team for the period April 2020 to November 2020.

Recommendation(s)

THAT:

- 1) Members receive the Report and note actions taken or to be taken.**

2 Background

- 2.1 Following BDO's replacement of RSM as Internal Auditors in April 2020, BDO are to follow up actions stemming from RSM's audits as well as the ongoing review of the implementation of recommendations made as part of the completion of the current Annual Internal Audit Plan.

3 Proposal

- 3.1 The report included details all recommendations followed up since our appointment as Internal Auditors in April 2020.

4 Financial Implications

- 4.1 The Internal Audit Plan is delivered within the approved budgets

5 Legal Implications

- 5.1 None arising directly from this report.

6 Equalities Implications

- 6.1 None arising directly from this report

7 Carbon Reduction/Environmental Sustainability Implications

7.1 None arising directly from this report.

8 Appendices

8.1 BDO Internal Audit Follow Up Report 2020/21.



**INTERNAL AUDIT FOLLOW UP OF
RECOMMENDATIONS REPORT**

GEDLING BOROUGH COUNCIL

November 2020

IDEAS | PEOPLE | TRUST



Summary

2018/19	To follow up	H	M	L
Street Naming	1			1
Land Charges	1			1
Grounds Maintenance	3		2	1
Health and Safety	3		3	
Property Investment	1		1	
Overall	9	0	6	3

Complete or Superseded			Incomplete			Overdue (more than 2 revised due dates)			% Complete
H	M	L	H	M	L	H	M	L	
	1								100%
				1					0%
			2	1					0%
1			2						33%
			1						0%
	1	1		5	2				22%

2019/20	To follow up	H	M	L
Safeguarding	3		2	1
Main Accounting System	2		1	1
IT General Controls	12	3	3	6
Apprenticeship Levy	1		1	
Housing Benefits, Universal Credit and Council Tax Reduction Scheme	4		1	3
Council Tax	2		2	
Pre-Application Advice	5		1	4
Recruitment and Retention	4		1	3
Flexible and Lone Working	5		2	3
Emergency Planning and Business Continuity	2		1	1
Building Control	1		1	
Corporate Governance	3		1	2
Debtors and Debt Recovery	1		1	
Cash and Banking	1		1	
Leisure Centres	6		4	2
Overall	52	3	23	26

Complete or Superseded			Incomplete			Overdue (more than 2 revised due dates)			% Complete
H	M	L	H	M	L	H	M	L	
2				1					66%
1	1								100%
2	2	3	1	1	3				50%
1									100%
1	2			1					75%
			2						0%
1	4								100%
1	3								100%
1	2		1	1					60%
1	1								100%
1									100%
			1	2					0%
			1						0%
1									100%
3	2		1						83%
2	18	19	1	7	8				75%

Summary

INTRODUCTION

This report follows up on all of the legacy internal audit actions recommended by the previous internal auditors for Gedling Borough Council, RSM. This covers all RSM audits from 2018-19 and 2019-20. All recommendations have been discussed with relevant managers and evidence for completed Medium and High recommendations has been obtained.

We have accepted management comments on the status of the Low recommendations.

FOLLOW UP GOING FORWARD - BDO RECOMMENDATIONS

Following the issue of BDO reports going forward, all recommendations raised will be added to this report. As at 24 November 2020, none of the recommendations raised in BDO reports are yet due.

RECOMMENDATIONS

- Of the 62 total legacy recommendations, 61 had due dates before the **24 November 2020**. 9 related to 2018/19 audits and 52 related to 2019/20 audits.

Of the 61 recommendations followed-up:

- 3 were High, 29 were Medium and 29 were Low.
- Across 18/19 and 19/20 recommendations, 2 High, 19 Medium and 20 Low recommendations are completed or superseded, totalling 41 of 61 recommendations (67%).
The 19/20 recommendations have a much higher implementation rate, with 39 of 52 recommendations being completed or superseded (75%).
- A total of 23 recommendations remain incomplete and have been issued a revised due date for the next Audit Committee. Of these, 1 is High, 12 are Medium and 10 are Low.
We acknowledge that the impact of COVID-19 has resulted in interruption of services and therefore implementation of recommendations has delayed in some areas.
- No recommendations currently sit in the 'Overdue' section (where due dates have been revised more than twice) as we did not have access to how many times the legacy recommendations have been revised prior to our taking over the follow-up. However going forward, any recommendations that require more than one revision to the due date will be reported in the 'Overdue' section of the report.

Follow up Process

As part of the follow-up process we issued all recommendations due for implementation on or before November 2020 in September 2020. Recommendations due were sent to all responsible officers or corresponding heads of service. We gave responsible officers 4 weeks to respond. We subsequently chased officers throughout November 2020.

We escalated non-responses to the Assistant Director, Finance on 9 November 2020.

For all incomplete recommendations, we will:

1. Continue to emphasise to staff to be realistic about the implementation dates when completing their management responses at the completion stage of each internal audit review
2. Issue the recommendations tracker to all the relevant Heads of services on a monthly basis

-
- from the November audit committee onwards
3. Issue reminder emails 6 weeks prior to the follow up review to ensure timely completion of each recommendation.

Recommendations: Complete or Superseded

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Current Progress
2018/19. Health and Safety	We will put in place an e-learning portal which all staff will be required to access and complete all of the training requirements necessary for their job role.	M	Grant Ilett, Health, Safety and Emergency Planning Officer	30/06/2020	<p>Council Comments: New starters are given a H&S induction form, this is where the awareness is initially covered. The forms are scanned and indexed on idox as well as being recorded on the H&S training database which all officers with computer access can see.</p> <p>The eLearning project has been paused as of January 2020, due to no resource to progress and insufficient budget.</p> <p>Therefore request that this action is removed as superseded.</p> <p>IA Comments: Accepted as superseded.</p> <p>BDO is currently undertaking a Health and Safety review so any risk areas will be covered in new audit.</p>
2019/20. Safeguarding	Information on Safeguarding will be displayed to staff and volunteers on notice boards around the Civic Centre and on completion of the review, safeguarding information will be published on the Council's website and intranet.	M	David Jayne, Community Safety Officer	31/03/2020	<p>Council Comments: Safeguarding posters / information has been distributed into key locations for display however with the closure of offices and facilities, other avenues have been and are being explored to convey the messages. This includes specific issue based safeguarding reminders on the Intranet. Policies and procedures are accessible via the Intranet and Internet.</p>

					IA Comments: Evidence obtained and satisfied that this recommendation is implemented.
2019/20. Safeguarding	The Council will complete the implementation of email notifications when the safeguarding database is updated, as well as the creation of monitoring reports from the database.	M	David Jayne, Community Safety Officer	31/03/2020	Council Comments: E-Mail notifications sent automatically to the safeguarding lead officer is working well. Monitoring reports can now be created automatically for reporting to the internal officers groups and SLT. IA Comments: Evidence obtained and satisfied that this recommendation is implemented.
2019/20. Main Accounting	Prior to processing any virements on Agresso the virement documentation will be authorised by two authorised members of staff.	M	Tina Adams, Principal Finance Business Partner	30/11/2019	Council Comments: All virements are authorised by 2 senior officers (at least one of which is a finance officer), pre pandemic this was a manual system with hard signatures and copies of the virements kept in the office. During the pandemic the virements are authorised via e-mail and all corresponding authorisation filed electronically. IA Comments: Satisfactory; it is also being reviewed as part of current BDO audit.
2019/20. IT General Controls	Management will identify the areas of the IT estate where patching is not routinely performed, monitor these areas and assess the risks, for inclusion in the risk register.	H	Helen Barrington, Director of Organisational Development and Democratic Services Rosie Caddy, Service Manager, Customer Services and Communications	28/02/2020	Council Comments: IT Managers provide an overview report to Senior Management of current patching status. This is produced from vulnerability scanning and manual checks. See quarterly report. IA Comments:

					Accepted - BDO is also currently undertaking a Cyber review.
2019/20. IT General Controls	Management will ensure that the Business Continuity Management work is completed and links with the IT Disaster Recovery work; make it more explicit in the Council's Business Continuity Plan what the Recovery Point and Recovery Time Objectives are; and will follow up a presentation on RPO and RTO's with formal confirmation via e-mail.	H	Helen Barrington, Director of Organisational Development and Democratic Services Rosie Caddy, Service Manager, Customer Services and Communications	30/09/2020	<p>Council Comments: In response to the Covid19 pandemic, in the first week of March 2020, a Business Impact Assessment (BIA) template was adopted and all service areas asked to complete it. The BIA incorporates recovery time objectives and actions. Cabinet formally approved a new Business Continuity Policy, BIA template and guidance on 2 July 2020. In view of the fact that Service areas predominantly focussed on the pandemic when completing the BIAs in March, Service Managers were asked to review their BIAs in accordance with the Policy by 30 September 2020 to ensure a full suite of plans covering all risk events (including loss of ICT or telecommunications) are in place. All service areas had an updated BIA in place before 30 September.</p> <p>IA Comments: Accepted - BDO is also currently undertaking a Cyber review</p>
2019/20. IT General Controls	Management will meet with HR to discuss and refine the leavers' process, particularly in relation to the prompt notification of leavers. Management will be reminded to perform reviews of the access assigned to their systems and data. Evidence of these reviews should be retained. IT will support this process by producing an Active Directory list of access	M	Helen Barrington, Director of Organisational Development and Democratic Services Rosie Caddy, Service Manager, Customer Services and Communications	Immediate	<p>Council Comments: The meeting with HR was completed.</p> <p>IA Comments: Accepted - BDO is also currently undertaking a Cyber review.</p>

	permissions annually, for Managers to check.				
2019/20. IT General Controls	Management will test the second firewall appliance, to ensure that it could be used in the event that the primary Firewall failed.	M	Helen Barrington, Director of Organisational Development and Democratic Services Rosie Caddy, Service Manager, Customer Services and Communications	Immediate	<p>Council Comments: The new firewall system has two firewalls in a high availability pair which automatically fail over in the event of hardware or software failure. This has been tested during the implementation phase. There is a third firewall offsite which is the same model and can have the configuration and license moved in an emergency.</p> <p>IA Comments: Accepted - BDO is also currently undertaking a Cyber review.</p>
2019/20. Apprenticeship Levy	We will review the durations set for the completion of our apprenticeships, to ensure that they are realistic. We will also remind line managers of apprentices, of their responsibility to release apprentices for training in accordance with the agreed training plan and to co-operate and support their apprentices to complete their training within the specified time limits.		David Archer, Service Manager, Organisational Development	30/11/2019	<p>Council Comments: Compliance (the current "cohort 2" will be the final cohort for the council); Cohort 2 target date for completion is April 21. The tripartite arrangement (apprentice/ manager/ assessor) is dynamic in nature and communication including a requirement to allow apprentices time to complete training and to participate in off-the-job training occurs throughout the programme. Evidence obtained.</p> <p>IA Comments: Evidence obtained and satisfied that this recommendation is implemented.</p>
19/20. Housing Benefits, Universal Credit and Council Tax Reduction Scheme	Where absences occur with Team Leaders or the Housing and Welfare Support Manager, an additional member of staff will be used to check the values on the BACS reports to ensure these are consistent	M	Paul Whitworth, Housing and Welfare Support Manager	30/11/2019	<p>Council Comments: Following this recommendation I asked my Policy and Development officer (Susan Buchanan) to cover when one of the Team Leaders or myself is unavailable.</p>

	throughout the BACS run.				She is the same pay banding as the Team Leaders and is the obvious option. The only example I can find is enclosed back in February when she countersigned that week's payment run. IA Comments: Payment run attachment example reviewed and satisfied the recommendation is complete.
2019/20. Pre-Application Advice.	The Planning Department will ensure that all Treasury payment receipts are uploaded to the Uniform system when the fee paid is manually input.	M	Mike Avery, Assistant Director, Planning and Regeneration	31/01/2020	Council Comments: The service support team leader raised this issue with his staff. Treasury receipts are now uploaded to Uniform. IA Comments: Accepted.
2019/20. Recruitment and Retention	Going forward a central log will be maintained of all Council staff members who have received recruitment and selection training.	M	David Archer, Service Manager, Organisational Development	31/03/2020	Council Comments: A central log has now been created to record occasions when a member of staff has received R&S training. IA Comments: Evidence obtained, satisfied the recommendation is complete.
2019/20. Emergency Planning and Business Continuity	All service areas within the Council will complete the following to ensure they are able to continue to carry out key and critical duties in the event of a disaster emergency: Business Impact Analysis; Service Level Business Continuity Plan/ Strategy; Service Level Recovery Action Plan.	M	Grant Ilett, Health, Safety and Emergency Planning Officer	31/03/2020	Council Comments: All service areas completed a BIA in March, with an additional review undertaken in October. IA Comments: Accepted.
2019/20. Building Control	We will carry out an immediate review of all applications in progress and ensure that any applications that have not been invoiced, are brought up to date promptly.	M	Mike Avery, Assistant Director, Planning and Regeneration	31/07/2019	Council Comments: Review was completed immediately after the audit. Invoices were issued for all applications in progress IA Comments:

					Accepted.
2019/20. Cash and Banking	Market staff will be reminded to issue receipts to every stall holder with their name and stall number clearly recorded	M	Katie Walters,	30/04/2020	<p>Council Comments: Review was completely immediately after the audit. Invoices were issued for all applications in progress</p> <p>IA Comments: Accepted.</p>
2019/20. Leisure Centres	Collection receipts will be maintained on file with the banking slips to demonstrate the passing of accountability for the cash from the Council to the Collection Agent.	M	Andy Fretwell, Leisure Manager	31/03/2020	<p>Council Comments: This is implemented.</p> <p>IA Comments: Reminders to managers obtained, deemed complete.</p>
2019/20. Leisure Centres	It will be communicated to all sites that the Daily Manager Check Sheets are mandatory and must be completed. Evidence of the daily checks being conducted will be signed by the Duty Manager undertaking these and this evidence will be maintained on file.	M	Andy Fretwell, Leisure Manager	31/03/2020	<p>Council Comments: This is implemented.</p> <p>IA Comments: Reminders to managers obtained, deemed complete.</p>
2019/20. Leisure Centres	Staff will be reminded that they should sign the cash up records to certify two people have completed the process. By exception, if two people are not available to complete the process, one person will complete and sign to certify the initial cash up process has been completed. The cash and records will then be placed in the safe until a second officer is available to count and certify the process. This alternative is only acceptable where a second person is not available to complete the two person cash up process.	M	Andy Fretwell, Leisure Manager	31/03/2020	<p>Council Comments: Whilst these should be signed by a Manager at every reconciliation, it is impossible for 2 members of staff to sign them on all occasions as we often only have one member of management left in the building, with non-reception staff, at the end of the day. Audit were informed of this at the time. It is not practical that two people count the takings the following day and therefore cannot be agreed to. Cash is always counted by the Duty Manager on shift on the day it is received, with the takings being recounted by the Duty Manager who is on duty the following</p>

					day. Takings are therefore always counted twice. IA Comments: Accepted as superceded.
2019/20. Flexible and Lone Working	The draft DSE and Agile Workstation Assessment Forms will be presented to the Senior Leadership Team for review and approval.	M	Grant Ilett, Health, Safety and Emergency Planning Officer	31/08/2019	Council Comments: This was presented to SLT in the Summer. IA Comments: Accepted.

Recommendations: Incomplete

Audit	Recommendation made	Priority Level	Manager Responsible	Revised Due Date	Current Progress
2018/19. Grounds Maintenance Parks & Open Spaces	We will ensure that the Council's Green Space Strategy is reviewed and updated, to provide a medium-term strategy for the development and improvement of parks and open spaces for the benefit of the whole of the Borough.	M	Melvyn Cryer, Service Manager, Parks and Street Care (PASC)	31/03/2020 31/01/2021	<p>Council Comments: The Green Space Strategy is being worked on currently. It has been moved on the Council's 'Forward Plan' for delivery to Cabinet on Wednesday 5th January 2021</p> <p>IA Comments: We will follow up on the progress of this recommendation prior to the next Audit Committee.</p>
2018/19. Grounds Maintenance Parks & Open Spaces	We will commence a park by park and open spaces survey of all trees as soon as we have completed the appointment of a Green Space Asset Manager.	M	Melvyn Cryer, Service Manager, Parks and Street Care (PASC)	31/03/2020 31/01/2021	<p>Council Comments: The Job Description for the 'Tree Inspector' post has been written and the 'Revenue Growth Bid' budget established. A report is being written to SLT to formally authorise and establish the post. Once established, recruitment to the post will commence. Completion Winter 2020.</p> <p>IA Comments: We will follow up on the progress of this recommendation prior to the next Audit Committee.</p>
2018/19. Health and Safety	Approved contractors who have passed the review date for competency and insurance review will be contacted to undertake these checks.	M	Grant Ilett, Health, Safety and Emergency Planning Officer	31/05/2020 31/01/2021	<p>Council Comments: Contractor (Client officer and Construction Guidance) is in place and several training sessions have been delivered. In terms of a comprehensive list of contractors, all those of which I have been informed of have been captured and added</p>

			<p>to the contractor list. This work however has not been resourced since January 2020 due to ongoing emergency commitments. With the exception of additional guidance being issued to managers whom have managed contractors during the Covid-19 period (additional H&S rule and conditions for contractors and a permit to work for coronavirus). These records will be each individual manager that manages the contracts/projects.</p> <p>IA Comments: We will follow up on the progress of this recommendation prior to the next Audit Committee.</p>
<p>2018/19. Health and Safety</p>	<p>All risk assessments will be reviewed as required and signed off by Managers.</p>	<p>M</p>	<p>Grant Ilett, Health, Safety and Emergency Planning Officer</p> <p>31/07/2020 31/01/2021</p> <p>Council Comments: The H&S declaration return identified 243 of 716 were still in word format. This declaration was the first of its kind this year to meet a travellers insurance requirement. I suspect in light of the Covid-19 emergency that there remains a proportion that have not been transferred onto AssessNET. At the time of sending this email, there was 826 activity risk assessments on AssessNET. 67 review is now due, 280 require sign off by managers</p> <p>IA Comments: We will follow up on the progress of this recommendation prior to the next Audit Committee.</p>

2018/19. Property Investment, Miscellaneous Properties and Facilities Management	We will ensure that our plans to put in place a programme of property asset condition surveys are finalised, and the necessary resources are obtained.	M	Katie Walters, Service Manager, Property	30/09/2020 30/04/2021	<p>Council Comments: The ongoing completions of the property asset condition surveys will be continued to be undertaken. Review again in April 2021</p> <p>IA Comments: We will follow up on the progress of this recommendation prior to the next Audit Committee.</p>
2019/20. IT General Controls	Management will ensure that the IT Strategy is reviewed and updated to support the delivery of the overarching Corporate Digital Strategy which will be developed following sign off of the overall Gedling Plan.	M	Helen Barrington, Director of Organisational Development and Democratic Services Rosie Caddy, Service Manager, Customer Services and Communications	30/09/2020 31/01/2021	<p>Council Comments: Work is ongoing to update the existing documents, drafts are due by the end of the month. The IT strategy will follow the Digital Strategy to drive this and other corporate priorities.</p> <p>IA Comments: We will follow up on the progress of this recommendation prior to the next Audit Committee.</p>
2019/20. IT General Controls	Management will ensure that the issues identified as part of the Public Sector Network review are assigned action owners and that the actions are tracked through to completion. Furthermore, periodic reviews of the firewall will be performed in between PSN audits.	H	Helen Barrington, Director of Organisational Development and Democratic Services Rosie Caddy, Service Manager, Customer Services and Communications	31/05/2020 & 30/11/2020 31/01/2021	<p>Council Comments: Firewall rules were reviewed as part of migration to a new system. Work on issues in the PSN ITHC continue to be addressed.</p> <p>IA Comments: We will follow up on the progress of this recommendation prior to the next Audit Committee.</p>
2019/20. Flexible and Lone Working	The Council will ensure that all outstanding risk assessments are transferred to the AssessNet System.	M	Grant Ilett, Health, Safety and Emergency Planning Officer	30/06/2019 31/01/2021	<p>Council Comments: No response received.</p> <p>IA Comments: We will follow up on the progress of this recommendation prior to the next Audit Committee.</p>

<p>2019/20. Council Tax</p>	<p>All new liabilities will be processed and set up on the Civica system within 14 days of the Council receiving original notification.</p>	<p>M</p>	<p>Kerry Mortimer, Revenues Team Leader</p>	<p>31/12/2019 31/12/2020</p>	<p>Council Comments:</p> <p>Staffing resources and Covid-19 has had significant impact on our ability to process all new liabilities within 14 days, along with the administration of business support grants. This has meant that we have not reached our target.</p> <p>However could it be noted for future reference that our corporate PI target is 95% of work received will be done within 14 days, not 100%. For the period from 31st Dec 2019 to the start of March, our average was 90.38% work done in 14 days.</p> <p>IA Comments:</p> <p>We will follow up on the progress of this recommendation prior to the next Audit Committee.</p>
<p>2019/20. Council Tax</p>	<p>All refund batches will be authorised via email and the evidence of authorisation will be retained on file.</p>		<p>Kerry Mortimer, Revenues Team Leader</p>	<p>31/12/2019 31/12/2020</p>	<p>Council Comments:</p> <p>The revenues team were in the process of creating and implementing a new secure and streamlined method of authorising refunds at the time of the last audit, due to the unforeseen circumstances of the pandemic, the process has not yet been implemented and the method of authorisation that was subject to the last audit is still in place.</p> <p>The new method, with the recording of an email authorisation will be</p>

					<p>in place by 31st December 2020.</p> <p>IA Comments: We will follow up on the progress of this recommendation prior to the next Audit Committee.</p>
<p>2019/20. Corporate Governance</p>	<p>The Council will put in place a system for declarations of interests to be completed by all staff initially and going forward by all new staff on appointment. All members of staff who have responsibilities for ordering goods and services will be required to confirm their interests annually. Monitoring will be undertaken to ensure that a current declarations of interests is in place.</p>	M	<p>Helen Barrington, Director of Organisational Development and Democratic Services</p>	<p>30/04/2020 30/12/2020</p>	<p>Council Comments: A meeting took place on 6 February 2020 to agree a number of actions to implement this recommendation, but these were not progressed as a result of the impact of the Covid-19 pandemic. A new completion date of 30 December 2020 was agreed by Audit Committee as part of the Annual Governance Statement 2019/20.</p> <p>IA Comments: We will follow up on the progress of this recommendation prior to the next Audit Committee.</p>
<p>2019/20. Debtors and Debt Recovery</p>	<p>We will ensure that all debts are managed and escalated in a timely manner in line with policy requirements.</p>	M	<p>Kerry Mortimer, Revenues Team Leader</p>	<p>30/11/2019 31/01/2021</p>	<p>Council Comments: Covid-19 has seen our recovery and enforcement action halted by both a corporate instruction and with some actions suspended in law by central government (enforcement agents).</p> <p>Prior to that pause in recovery action, reminders were sent on a weekly basis for sundry debtor invoices with automated scheduled tasks in workflow each month for additional action beyond reminders, including sending cases to collection</p>

					agents and commencing legal action where appropriate. IA Comments: We will follow up on the progress of this recommendation prior to the next Audit Committee.
2019/20. Leisure Centres	All Health & Safety checks will be undertaken internally or externally within the set timeframes agreed in the Council's Policy. This will be communicated to all Leisure Centre staff.	M	Andy Fretwell, Leisure Manager	30/04/2020 29/02/2021	<p>Council Comments:</p> <p>The Fire Risk Assessments only need to be updated when significant changes have been made.</p> <p>ALC fixed electrical test was a full 5-year test so was not due for renewal</p> <p>With regards to the fire risk assessments, due to lockdown these haven't yet been completed. I already have a quote from CIPFA & am awaiting one from FCS Live. I have yet to contact a third for an additional quote.</p> <p>With regards to external health & safety audits which were planned for this year, they have been pushed back to the following dates:</p> <ul style="list-style-type: none"> • 16 February Arnold LC (including Bonington Theatre) • 17 February Redhill LC • 18 February Richard Herrod Centre • 23 February Calverton LC • 24 February Carlton Forum LC <p>IA Comments: We will follow up on the progress of this recommendation</p>

prior to the next
Audit Committee.

FOR MORE INFORMATION:

Greg Rubins

0238 088 1892

Greg.Rubins@bdo.co.uk

Yasmin Ahmed

0797 002 7030

Yasmin.Ahmed@bdo.co.uk

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

© 2020 BDO LLP. All rights reserved.

www.bdo.co.uk

This page is intentionally left blank