

# Agenda

## **Audit Committee**

Date: **Tuesday 28 June 2022**

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Time: **5.30 pm**

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Place: **Council Chamber**

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For any further information please contact:

**Democratic Services**

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# Audit Committee

## Membership

<b>Chair</b>	Councillor Bob Collis
<b>Vice-Chair</b>	Councillor Meredith Lawrence
	Councillor Liz Clunie
	Councillor Andrew Ellwood
	Councillor Kathryn Fox
	Councillor Helen Greensmith
	Councillor Ron McCrossen

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# AGENDA

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1	<b>Apologies for Absence and Substitutions.</b>	
2	<b>To approve, as a correct record, the minutes of the meeting held on 15 March 2022</b>	5 - 7
3	<b>Declaration of Interests.</b>	
4	<b>Mazars (External Audit) - Annual Audit Report 2020/21</b>	9 - 30
5	<b>Mazars (External Audit) - Audit Strategy Memorandum 2021/22</b>	31 - 65
6	<b>Internal Audit Reports (BDO)</b>	67 - 121
7	<b>Draft Annual Governance Statement 2021/22</b>	123 - 137
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## **MINUTES AUDIT COMMITTEE**

**Tuesday 15 March 2022**

Councillor Bob Collis (Chair)

Councillor Meredith Lawrence	Councillor Kathryn Fox
Councillor Liz Clunie	Councillor Helen Greensmith
Councillor Andrew Ellwood	Councillor Ron McCrossen

Absent: Councillor Andrew Dunkin

Officers in attendance: P Adcock, A Ball, C Goodall and F Whyley

Guests in attendance: G Dulay – Internal Audit Director (BDO),  
C Thomas – Internal Auditor (BDO)

### **8 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS.**

Apologies were received from Councillor Dunkin.  
Councillor Ellwood attended as substitute.

### **9 TO APPROVE, AS A CORRECT RECORD, THE MINUTES OF THE MEETING HELD ON 2 FEBRUARY 2022.**

#### **RESOLVED:**

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

### **10 DECLARATION OF INTERESTS.**

None.

### **11 LOCAL CODE OF CORPORATE GOVERNANCE 2022/23**

The Monitoring Officer introduced a report, which had been circulated in advance of the meeting, seeking approval for the updated Local Code of Corporate Governance 2022/23.

Councillor Greensmith entered the meeting.

#### **RESOLVED:**

To approve the Local Code of Corporate Governance for 2022/23.

**12 INTERNAL AUDIT PROGRESS REPORT 2021/22**

The Internal Audit Director introduced a report, which had been circulated in advance of the meeting, summarising the outcome of the internal audit activity completed by the BDO Internal Audit Team for the period December 2021 to March 2022.

**RESOLVED to:**

Note the report and note actions taken or to be taken.

**13 DRAFT INTERNAL AUDIT PLAN 2022/23**

The Internal Auditor introduced a report, which had been circulated in advance of the meeting, detailing the 3 year Gedling Internal Audit Plan for 2022/23 – 2024/25.

The Internal Audit Manager asked that the committee considered and approved an additional recommendation to approve the Internal Audit Charter, set out at Appendix 1 of the report. He added that in line with public sector internal audit standards, BDO must set out annually how they remained independent as an organisation, how they ensured they acted ethically and how they operated in line with public sector internal audit standards.

A recommendation to approve the Internal Audit Charter 2022/23, as set out in Appendix 1 of the report, was moved and duly seconded.

**RESOLVED:**

- 1) To approve the Internal Audit Plan 2022/23 - 2024/25
- 2) To approve the Internal Audit Charter 2022/23 (Appendix 1)

**14 CORPORATE RISK MANAGEMENT SCORECARD QUARTER 3 2021/22**

The Head of Finance and ICT introduced a report, which was circulated in advance of the meeting, updating members of the Audit Committee on the current level of assurance that can be provided against each corporate risk.

**RESOLVED:**

To note the progress of actions identified within the Corporate Risk Register.

**15 ACCOUNTING POLICIES 2021/22**

The Director of Corporate Resources and Section 151 Officer introduced a report, which had been circulated in advance of the meeting, allowing members of the Audit Committee to consider and approve the Accounting Policies applied in the production of the 2021/22 financial statements.

**RESOLVED:**

To approve the Accounting Policies 2021/22, as set out in the Appendix, for application to the financial statements in respect of 2021/22.

**16 ANY OTHER ITEM WHICH THE CHAIR CONSIDERS URGENT.**

The Chair thanked all of the staff, internally and externally, for their continuous hard work.

The meeting finished at 6.40 pm

Signed by Chair:  
Date:

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## Report to Audit Committee

**Subject:** Mazars External Audit – Auditor’s Annual Report

**Date:** 28 June 2022

**Author:** Director of Corporate Resources and Section 151 Officer

### Purpose

To present the Auditor’s Annual Report for the year ended 31 March 2021 prepared by Mazars, the Council’s External Auditor.

#### Recommendation(s):

##### THAT:

- 1) Members receive the Auditor’s Annual Report for the year ended 31 March 2021 prepared by Mazars and refer the report to full Council for information.**

### 1. Background

- 1.1 It is a statutory requirement that the Council’s financial statements are subject to external audit on an annual basis. This is currently undertaken by Mazars.
- 1.2 Mazars presented their Audit Completion Report in respect of the Council’s financial statements for the year ended 31 March 2021 to the Audit Committee on 2 February 2022 summarising their audit conclusions.
- 1.3 Mazars have now issued their Auditor’s Annual Report for the year ended 31 March 2021 and this is attached as an appendix to this report. This confirms that an unqualified opinion on the financial statements was issued on 16 March 2021.
- 1.4 The Auditor’s Annual Report also provides details of the work undertaken and conclusions reached by Mazars on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources (value for money). This focused upon financial sustainability, governance and improving economy, efficiency and effectiveness as the reporting criteria. No risks of significant

weakness or actual significant weaknesses were identified for each of the reporting criteria.

- 1.5 Section 4 summarises the audit fees for the work undertaken by Mazars. The core scale fee for the 2020/21 audit was £32,779 (as in 2019/20) plus fees for additional testing and further work to meet new reporting requirements that have not, as yet, been agreed.

## **2. Proposal**

- 2.1 It is proposed that the Audit Committee receive the Auditor's Annual Report for the year ended 31 March 2021 and refer the report to full Council for information.

## **3. Financial Implications**

- 3.1 There are no financial implications arising directly from this report.

## **4. Legal Implications**

- 4.1 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 on 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 enactments that apply to them;
- Proper practices have been observed in the preparation of the Statement of Accounts and that this 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 on to the Statement of Accounts:

- An auditor's opinion
- 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.

## **5. Equalities Implication**

- 5.1 There are no equalities implications arising directly from this report.

**6. Carbon Reduction/Environmental Sustainability Implications**

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

**7. Appendices**

7.1 Mazars Auditor’s Annual Report – Year ending 31 March 2021.

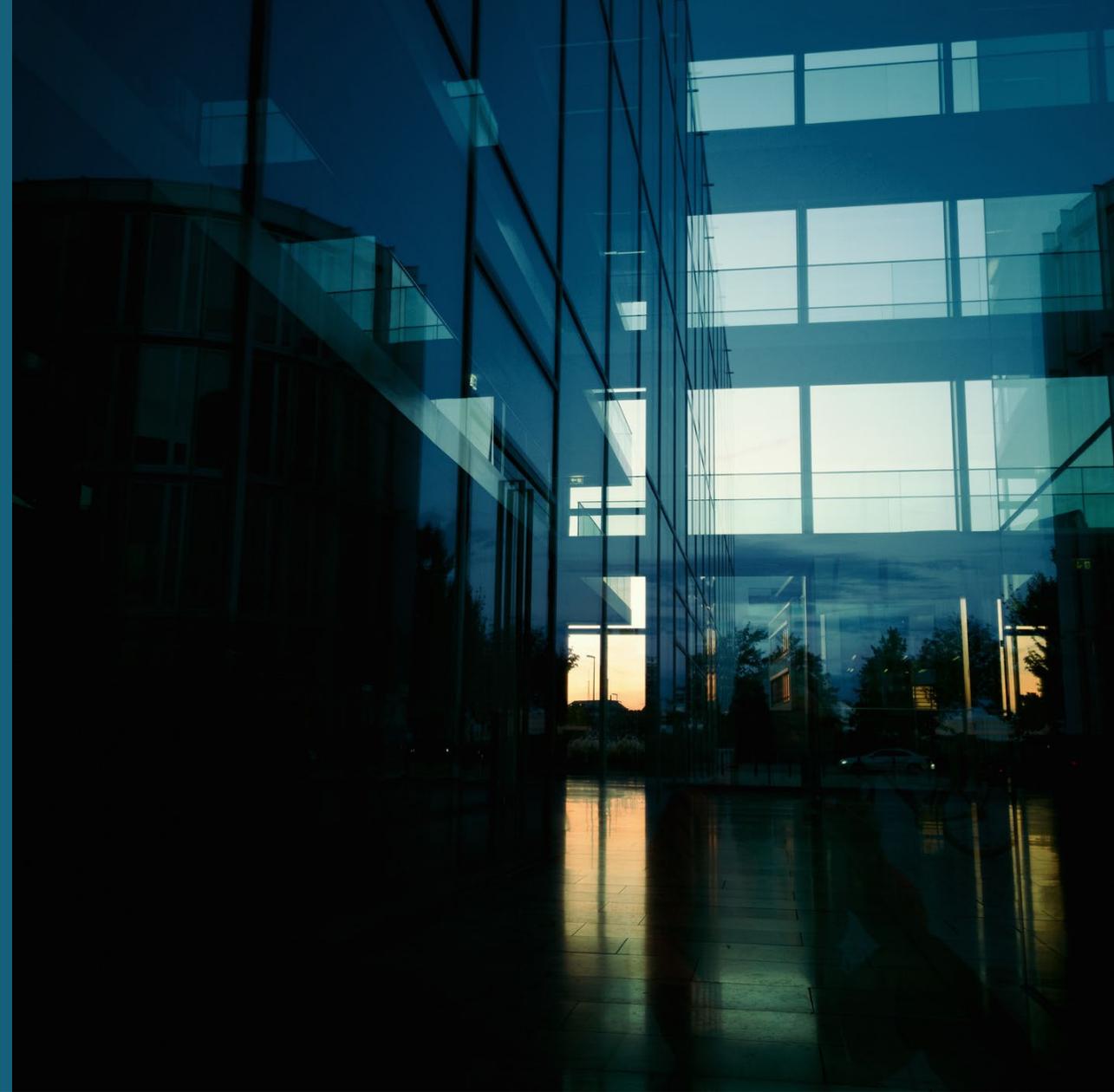
<b>Statutory Officer Approval</b>	
<b>Approved by:</b>	<b>Chief Financial Officer</b>
<b>Date:</b>	<b>June 2022</b>
<b>Approved by:</b>	<b>Monitoring Officer</b>
<b>Date:</b>	<b>June 2022</b>



# Auditor's Annual Report

Gedling Borough Council – year ended  
31 March 2021

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May 2022



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- 04 Other reporting responsibilities

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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales

# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Gedling Borough Council ('the Council') for the year ended 31 March 2021. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



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### Opinion on the financial statements

We issued our audit report on 16 March 2022. Our opinion on the financial statements was unqualified.



### Value for Money arrangements

In our audit report issued we reported that we had not completed our work on the Council's arrangements to secure, economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Council's arrangements.



### Wider reporting responsibilities

We have not yet received group instructions from the National Audit Office confirming their requirements in relation to the Council's Whole of Government Accounts. We are unable to issue our audit certificate until this is formally confirmed.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We did not receive any questions or objections in respect of the Council's financial statements.

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# 02

Section 02:

## **Audit of the financial statements**

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# 2. Audit of the financial statements

## The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021 and of its financial performance for the year then ended. Our audit report, gave an unqualified opinion on the financial statements for the year ended 31 March 2021.

## Qualitative aspects of the Council's accounting practices

We reviewed the Council's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

## Significant difficulties during the audit

During the course of the audit, we did not encounter any significant difficulties and we have had the full cooperation of management.

The audit was again carried out remotely but there were no significant difficulties in carrying out our normal audit procedures and obtaining the audit evidence required to complete the audit. We continue to work with management to complete any remaining audit work and resolve audit queries and are grateful for the cooperation and support provided.

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# 03

Section 03:

**Commentary on VFM arrangements**

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# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

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At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement.

The table below summarises the outcomes of our work against each reporting criteria. We did not identify any risks of significant weakness, or actual significant weakness, in the Council's arrangements. On the following pages we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	9	No	No
Governance	11	No	No
Improving economy, efficiency and effectiveness	14	No	No

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# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

### Background to the Council’s operating environment in 2020/21

The Council entered 2020/21 at the start of the national lockdown, and faced a significant operational impact from the effects of the pandemic. In response to the Covid-19 pandemic, central government made a series of policy announcements, a number of which have impacted on local authorities such as Gedling Borough Council. During the 2020/21 year the Council dealt with a wide range of issues to support local residents and businesses.

Some of the Government’s initiatives in response to the Covid-19 pandemic have been backed by additional funding, and the Council received a range of government grants during 2020/21 to either support local businesses/individuals or meet the Council’s own costs. The Council received £1.6m of Covid-19 Response funding to cover the Council’s extra costs. The Council also received around £1.6m relating to income compensation scheme for the sales, fees and charges income lost during the lockdown periods.

### 2020/21 Financial statement performance

We have carried out a high level analysis of the audited financial statements, including the Comprehensive Income and Expenditure Statement, the Balance Sheet and Movement in Reserves Statement.

The Council's balance sheet does not give us cause for concern relating to financial stability. Net current assets have increased from £18.7m to £33m, with short term creditors increasing from £5.7m to £16.7m. This is largely due to the grant initially paid to Gedling as the billing authority now being repayable to MHCLG for onward allocation to other preceptors, and to sums repayable as a result of the Council's agency arrangements for the issue of business grants during the pandemic (as disclosed within Note 21 of the financial statements). The level of total year-end Cash and Cash Equivalents rose from £6.8m to £9.1m this was in line with cash flow forecast and requirements.

The most significant change in the balance sheet relates to movements in the Council's share of the pension fund net liability (being a deficit position) of £69.5m, up from £49.2m in the prior year. It is not unusual to see material movements in the net pension liability and this is consistent with our experience at other local authorities. The deficit position is not unusual and is a recognised area of financial challenge for local authorities.

The Council's useable reserves have increased from £11.5m to £19.3m in 2020/21, with:

- General Fund and Earmarked Reserves of £16m, up from £9.9m in 2019/20; and
- Capital Grants Unapplied of £3.3m, up from £1.7m in 2019/20.

These reserves provide some mitigation against future financial challenges, and will assist in addressing future volatility and support savings and efficiencies plans. The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned and the use of reserves cannot be relied on to provide a long term solution to funding gaps. Notwithstanding this, our work has not highlighted a risk of significant weakness in the Council’s arrangements for ensuring financial sustainability.

### Financial planning and monitoring arrangements

In February 2020 the Council set balanced General Fund budgets for the 2020/21 financial year. During the year the Council reported its financial position through quarterly financial performance reports, and carried out an early in-year review to reflect the impact of Covid-19 on budgets and financial performance.

We noted that budget monitoring was reported to the Cabinet on a quarterly basis. We reviewed the final report covering the whole year and outturn that was received by the Cabinet in July 2021 and the reports contain detail on any significant variances to budget and an update on performance against targets. The reports also contain information on progress against the approved capital programme and reasons for over or underspends against the budget profile to provide adequate scrutiny and oversight. The Council reported the final revenue outturn position for the 2020/21 year showing the General Fund had an underspend of £3.6m, resulting in a £3.3m transfer to reserves. This equated to a net underspend of £0.3m.

We have considered the arrangements in place in respect of budget management as part of the Governance criteria on page 11 and not identified any significant weaknesses in the Council's arrangements.

# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria (continued)

### Arrangements for the identification, management and monitoring of funding gaps and savings

We confirmed a Medium Term Financial Plan (MTFP) is in place to cover 2021/22 to 2025/26 and that it supports the Council's priorities communicated in its strategy, and identifies its financial implications. It shows the approach the Council will take in order to deliver its services and priorities within its financial constraints and in doing so, how it will look to provide value for money.

A key part of the strategy is to highlight the budget issues that will need to be addressed by the Council over the coming financial years, by forecasting the level of available resources from all sources and budget pressures relating to both capital and revenue spending as well as assessing sufficient reserves and provisions are held for past and unknown events which may impact on the Council's resources. There is a process in place for challenging any growth items and agreeing the achievability of planned savings.

### Arrangements and approach to 2021/22 financial planning

The arrangements for the 2021/22 budget setting process have largely followed the arrangements in place for 2020/21 but with a better understanding based on the experiences during the year of the impact of Covid-19 on the Council's services. There were still though a number of unavoidable uncertainties regarding likelihood and impact of any future lifting of restrictions or lockdowns, and the availability of any further government support.

A balanced General Fund budget for 2021/22 were approved at the February 2021 Cabinet meeting with any required savings expected to be covered by actions in hand.

We reviewed the Council's budget to actual performance as presented in the financial statements. The Council has a track record of spending within the net budget to within an immaterial variance in both 2018/19 and 2019/20 with General Fund revenue outturn positions against budget respectively. As the underlying arrangements for financial planning and control have not significantly changed for 2020/21, there is no indication of a significant weakness in arrangements for financial forecasting and financial planning.

We have reviewed the MTFP and supporting reports to Cabinet in February and are satisfied that it adequately explained the financial risks and that the main financial assumptions were not unreasonable.

Within the MTFP was a fully funded capital programme of £21.7m. The majority of expenditure falls to existing schemes. We have discussed the Council's approach to capital planning, and utilisation of capital funding and have not identified any significant weaknesses in arrangements.

There was an acknowledgement in approving the MTFP that the roll over of the Local Government Funding Settlement meant that some of the expected changes in the Fair Funding Review and in relation to New Homes Bonus and any Business Rates reset were not enforced. Changes in these areas were regarded as a risk through expected loss of funding. The Council actively encourage the Government to move forward with funding reforms with the expectation of helping to support and improve their future financial position.

The continuing uncertainty does make though strategic financial planning difficult for Councils, particularly in relation to its General Fund services. The MTFP forecasts a balanced budget for 2021/22.

For 2021/22 and 2022/23, the Council has forecast a cumulative funding gap of £1.1m with these sums to be met from useable reserves or via savings targets. As set out on page 9, General Fund and Earmarked Reserves were £16m as at 31 March 2021. In the context of the level of useable revenue reserves, the £1.1m funding gap do not present an immediate risk of significant weakness in the Council's arrangements for financial sustainability, action does need to be taken to ensure savings plans are robustly planned and delivered.

**Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability.**

# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### Risk management and monitoring arrangements

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of effectiveness, economy and efficiency. In doing this it is responsible for putting in place proper arrangements for the governance of its affairs, effective exercise of its functions and arrangements for the management of risk.

The Council has an established risk management strategy framework and systems in place which are built into the governance structure of the organisation. This includes the Council's approach to managing risk, guidance, the Council's risk appetite and roles and responsibilities.

We have met with officers regularly during the year and made specific inquiries regarding risk management arrangements, including examples of the Council putting risk mitigation actions into place and reporting those to the Senior Leadership Team and Members. We have reviewed the Corporate Risk Register and determined it is adequate for the Council's purposes and consistent with sector norms.

The Audit Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements, and challenging risk information. On a quarterly basis the Senior Leadership Team consider the Corporate Risk Register and determine appropriate risk appetite, risks and opportunities against the respective risk owners. Where appropriate changes are proposed. The Audit Committee receive quarterly update reports and note the progress of actions. These arrangements are consistent with what we would expect at a local authority and are adequate for the Council's purposes.

The Annual Governance Statement is a critical component of the Council's governance arrangements. It is an evidenced self assessment by the Council on the Council's governance, assurance and internal control frameworks for the financial year. As such, those who are responsible for those arrangements must approve it. The Annual Governance Statement formally signed by the Chief Executive and the Leader of the Council. This emphasises that the document is about all corporate controls and is not just financial controls. We reviewed the Annual Governance Statements as part of our work on the financial statements with no significant issues arising

To provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Council has an external Internal Audit function (via BDO). The annual Internal Audit plan is agreed with management at the start of the financial year and is reviewed by the Audit Committee prior to final approval. The audit plan is based on an assessment of risks the Council faces and is designed to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned work can be supplemented if necessary by ad hoc reviews in respect of suspected irregularities and other work commissioned by Officers and Members of the Council where relevant to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2020/21 and 2021/22 and confirmed they are consistent with the risk based approach.

Internal Audit progress reports are regularly presented to the Audit Committee meeting including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Head of Internal Audit provides an Annual Report including an opinion, based on the work completed during the year, on the overall adequacy and effectiveness of the council's control environment. For 2020/21 Internal Audit concluded ;

'Overall, we are able to provide moderate assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently.'

Throughout the year we have attended Audit Committee meetings. Through attendance at these meetings we have confirmed that the Committee receives regular updates on both internal audit progress and risk management. We have seen active Member engagement from the Committee who challenge the papers and reports which they receive from officers, internal audit and external audit.

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# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria (continued)

### Arrangements for budget setting and budgetary control

The Council has an established set of arrangements in place for budget setting and control. The process is set out and approved through the Constitution, which encompasses the budget setting rules and financial procedures. The framework includes:

- Clear responsibilities, including the role of the Cabinet and drawing up initial proposals; Cabinet providing consultation; and the Council in making the final decision on whether to adopt the proposals.
- Close working between the finance team and with external advisors and neighbouring councils to agree the budget assumptions, which are challenged and agreed through the budget review process by management, Cabinet and Council.

Following approval of the budget, budget monitoring commences to monitor progress against targets. Budget monitoring responsibilities of budget holders are documented and they are supported in this role by the finance team. Budget monitoring reports are produced and there are regular meetings held, including finance team members, to discuss the financial performance and forecasts. There are rules in place regarding the reporting of budget variances and budget changes. There are similar processes and controls in place for development and control of the capital programme alongside the revenue budget setting. The Treasury Strategy reports are approved at the same time as the revenue budgets and monitored and reported on throughout the year.

We have reviewed minutes of meetings and the year end reports presented to the Cabinet during the year as well as the narrative statement to the financial statements. In addition, we have reviewed capital expenditure as presented in the financial statements with no issues arising from our testing of additions.

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# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria (continued)

### Decision making arrangements and control framework

The Council has an established governance framework in place which is set out within its Annual Governance Statement (AGS). The governance framework, as described in the AGS includes the Council's Code of Corporate Governance, the Constitution and the scheme of delegation which shows the levels of authority required for all key decisions, and the Council's Corporate Strategy (referred to as the Gedling Plan).

The Council's Code of Corporate Governance sets out the governance principles which the Council are committed to and within which the Council conducts its business and affairs. The Code identifies the arrangements in place to enable the Council to meet the good governance principles identified. The Constitution is kept under review and updated as required. The Constitution sets out how the Council operates, how decisions are made and the procedures to support the Council's aims of being transparent and accountable. The Constitution includes the Budget and Policy Framework Rules, Contract Procedure Rules, Member and Officer codes of conduct.

The Council has a scrutiny function in place with arrangements shaped to reflect Council priorities. The Audit Committee provides further focus on risk, governance and control matters. Cabinet have work programmes in place to steer their coverage of services and key decisions. We have reviewed the Cabinet minutes throughout the year and not identified any concerns.

### Regulators

There are few external regulators for district councils and we have not identified any matters that indicate significant weaknesses in the Council's governance arrangements.

**Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to governance.**

# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

### Performance Management

The 'Gedling Plan' sets out the Council's priorities and objectives for the period covered by the plan, including the values which underpin the overarching vision is to;

- A competent Council that delivers on its promises, acts professionally and can be trusted to provide good quality services;
- A co-operative Council that listens to, involves and responds to the concerns of its citizens, partners and employees;
- A commercial Council that is innovative and forward thinking in its use of resources and focused on achieving value for money;
- A caring and compassionate Council that reaches out to the lonely and marginalised and encourages others to do the same; and
- A considerate Council that recognises and respects difference and is sensitive to the impact of its actions on others.

The core areas in the Plan are: Cohesive, Diverse and Safe Communities, High Performing Council, Vibrant Economy, Sustainable Environment and Healthy Lifestyles. Each of the areas have a detailed delivery plan in place with specific indicators to measure success.

The Council produces an annual report that summarises key achievements and performance measures against the Plan that is approved by Cabinet each year. We have reviewed the 2020/21 report and noted that for all of the areas an action plan has been developed, with measurable success criteria and an indicator of direction of travel. This allows the Council to monitor successful delivery and identify any areas where corrective action is required.

We have reviewed a sample of the performance reports and the Cabinet minutes which show member challenge of the reported performance. The reports demonstrate that performance has been managed throughout the 2020/21 year and there were no major unexpected gaps in performance at the year end. The process has continued in the first half of 2021/22.

### Procurement

The Council has a Procurement Strategy which outlines how the procurement of goods, works and services is achieved. These documents provide a corporate framework for the procurement of goods, works and services. There are also controls in place designed to ensure that all procurement activity is conducted with openness, honesty and accountability. Our work on the financial statements has not identified any significant internal control deficiencies.

### Partnerships

The Council has a number of partnership arrangements in place as detailed on their website, through which the Council works to deliver services in line with its ambitions and priorities. These include (to name a few):

- The Gedling Employment and Skills Group;
- Federation of Small Businesses;
- East Midlands Chamber;
- Gedling Business Partnership;
- Department for Work and Pensions;
- The Department for Business, Energy and Industrial Strategy;
- NVB
- D2N2 one of the largest Local Enterprise Partnerships (LEPs) in England. Its purpose is to lead and support economic growth across Derby, Derbyshire, Nottingham and Nottinghamshire

We do not consider these to be significant in relation to our VFM commentary.

**Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to improving economy, efficiency and effectiveness.**

# 04

Section 04:

## **Other reporting responsibilities and our fees**

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# 4. Other reporting responsibilities and our fees

## Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

## Reporting to the NAO in respect of Whole of Government Accounts consolidation data

We have not yet received group instructions from the National Audit Office confirming their requirements in relation to the Council's Whole of Government Accounts. We are unable to issue our audit certificate until this is formally confirmed.

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## 4. Other reporting responsibilities and our fees

### Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum and Audit Completion Report presented to the Audit Committee in March 2021 and February 2022. We expect our final audit fees to be as follows.

Area of work	2019/20 fees	2020/21 fees
Scale fee in respect of our work under the Code of Audit Practice	£32,779	£32,779
Additional testing as a result of changes arising from increased audit quality expectations involving the work on the valuation of land and buildings and on the local government pension scheme	£6,194	£6,194*
Additional testing as a result of the implementation of new auditing standards	-	£2,892*
Additional testing as a result of a new significant audit risk relating to Covid-19 grants	-	£1,188*
Other additional testing - additional testing and reporting in 2019/20 on uncertainties in key estimates as a result of Covid-19	£5,032	-
Additional work as a result of the new Code of Audit Practice and VFM reporting	-	£9,293*
<b>Total fees</b>	<b>£44,005</b>	<b>£52,346*</b>

\* Fee variations subject to approval and confirmation by Public Sector Audit Appointments Limited.

David Hoose

Partner

**Mazars**

David.Hoose@mazars.co.uk

Park View House,  
58 The Ropewalk,  
Nottingham  
NG1 5DW

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.



## Report to Audit Committee

**Subject:** Mazars External Audit – Audit Strategy Memorandum

**Date:** 28 June 2022

**Author:** Director of Corporate Resources and Section 151 Officer

### Purpose

To present the Audit Strategy Memorandum for the year ended 31 March 2022 prepared by Mazars, the Council's External Auditor, for approval.

#### Recommendation(s):

##### THAT:

- 1) **Members receive the report and approve the Mazars Audit Strategy Memorandum for the year ended 31 March 2022 and refer the report to full Council for information.**

### 1. Background

- 1.1 The Audit Strategy Memorandum summarises the Mazars audit approach for the year ended 31 March 2022, highlighting significant audit risks and areas of key judgements and also provides details of the audit team. The document is prepared by Mazars following initial discussions with management and is seen by them as the basis for discussion of the audit approach including any questions Members may have on that approach or the role of Mazars as auditor.
- 1.2 The Audit Strategy Memorandum sets out the External Audit Plan and associated key deliverables in respect the audit and report on the 2021/22 Financial Statements and also the work that Mazars are required to undertake to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money). The proposed fees for the audit are also set out which are subject to discussion and consultation with Public Sector Audit Appointments (PSAA)

**2. Proposal**

2.1 It is proposed that the Audit Committee approve the Mazars Audit Strategy Memorandum for the year ended 31 March 2022 and refer the report to full Council for information.

**3. Financial Implications**

3.1 There are no financial implications arising directly from this report.

**4. Legal Implications**

4.1 There are no legal implications arising directly from this report.

**5. Equalities Implications**

5.1 There are no equalities implications arising directly from this report.

**6. Carbon Reduction/Environmental Sustainability Implications**

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

**7. Appendices**

7.1 Mazars Audit Strategy Memorandum – Year ending 31 March 2022

<b>Statutory Officer Approval</b>	
<b>Approved by:</b>	<b>Chief Financial Officer</b>
<b>Date:</b>	<b>June 2022</b>
<b>Approved by:</b>	<b>Monitoring Officer</b>
<b>Date:</b>	<b>June 2022</b>



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# Audit Strategy Memorandum

Gedling Borough Council

Year ended 31 March 2022

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- 02 Your audit engagement team
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- 04 Significant risks and other key judgement areas
- 05 Value for money
- 06 Fees for audit and other services
- 07 Our commitment to independence
- 08 Materiality and misstatements
- Appendix – Key communication points

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This document is to be regarded as confidential to Gedling Borough Council. It has been prepared for the sole use of Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

6 June 2022

Dear Committee Members,

## Audit Strategy Memorandum – Year ended 31 March 2022

We are pleased to present our Audit Strategy Memorandum for Gedling Borough Council for the year ended 31 March 2022. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Gedling Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0115 964 4744.

Yours faithfully



David Hoose

Mazars LLP

Mazars LLP – {Park View House, 58 The Ropewalk, Nottingham, NG1 5DW}

Tel: {0115 964 4744 } – Fax: {0115 964 4755} – [www.mazars.co.uk](http://www.mazars.co.uk)

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD.

We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861. VAT number: 839 8356 73

# 01

Section 01:

## **Engagement and responsibilities summary**

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# 1. Engagement and responsibilities summary

## Overview of engagement

We are appointed to perform the external audit of Gedling Borough Council (the Council) for the year to 31 March 2022. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

### Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or Audit Committee, as those charged with governance, of their responsibilities.

The Chief Finance Officer is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding and conclude on; a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements.

### Value for money

We are also responsible for forming a commentary on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



### Fraud

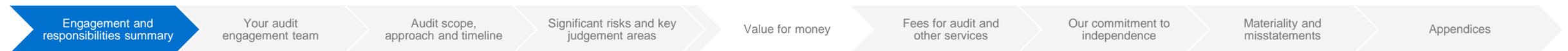
The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management and internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

### Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom



# 02

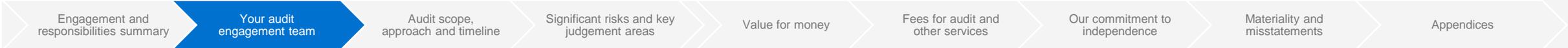
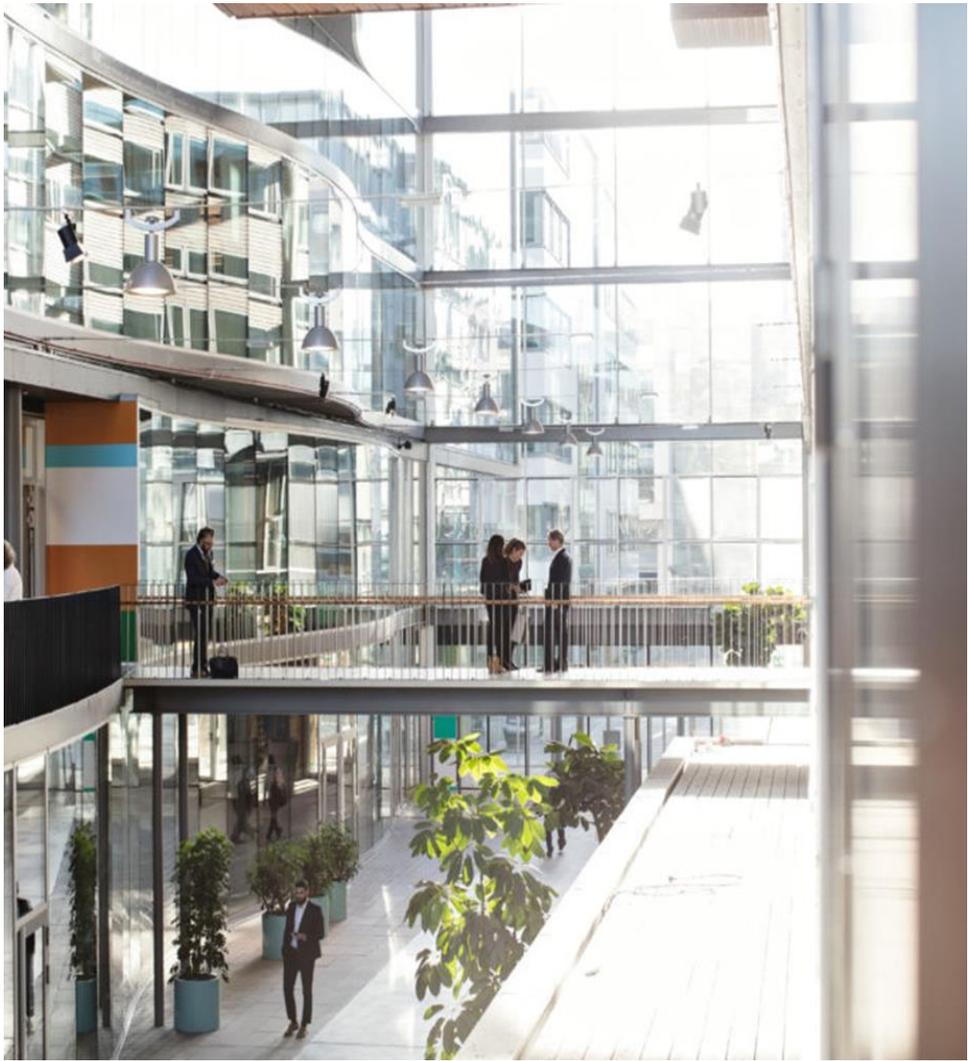
Section 02:

**Your audit engagement team**

# 2. Your audit engagement team

Individual	Role	Contact details
David Hoose	Engagement Lead, Partner	<a href="mailto:David.Hoose@mazars.co.uk">David.Hoose@mazars.co.uk</a>
Michael Butler	Senior Audit Manager	<a href="mailto:Michael.Butler@mazars.co.uk">Michael.Butler@mazars.co.uk</a>
Sameer Amin	Audit Assistant Manager	<a href="mailto:Sameer.Amin@mazars.co.uk">Sameer.Amin@mazars.co.uk</a>
Jennifer Norman	Audit Assistant Manager	<a href="mailto:Jennifer.Norman@mazars.co.uk">Jennifer.Norman@mazars.co.uk</a>

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# 03

Section 03:

## **Audit scope, approach and timeline**

Page 42

# 3. Audit scope, approach and timeline

## Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

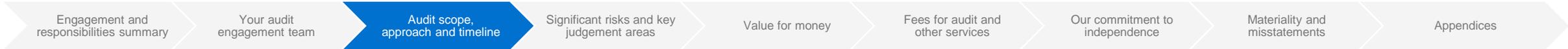
## Audit approach

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



# 3. Audit scope, approach and timeline

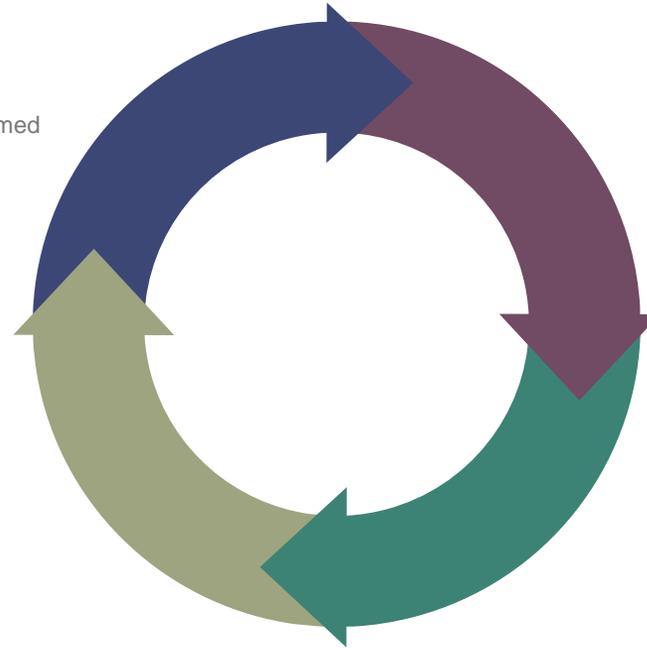
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## Planning (January 2022)

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

## Completion (By November 2022)

- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the auditor's report

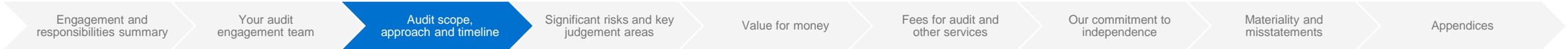


## Interim (March- April 2022)

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

## Fieldwork (August 2022)

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting



# 3. Audit scope, approach and timeline

## Reliance on internal audit

We will liaise with Internal Audit to discuss the progress and findings of their work and to inform our continual risk assessment. This function is provided by BDO.

## Management’s and our experts

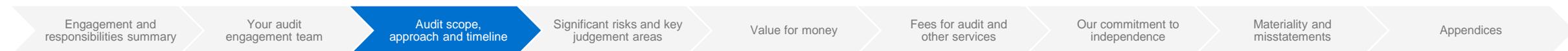
Management makes use of experts in specific areas when preparing the Council’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Property, Plant and Equipment and Investment property	<b>Internal Valuer</b> E. Wimble – Property Services Manager	None. Third party evidence provided via the NAO to support our challenge of valuation assumptions.
	<b>External Valuer/s</b> Lambert Smith Hampton and Bruton Knowles (Covers Land and Buildings and Investment Properties)	We may engage the Mazars internal valuations team to support our work on property valuations.
Pensions	<b>Barnett Waddingham</b> Actuary for Nottinghamshire Pension Fund	PWC (Consulting actuary appointed by the NAO)
Financial Instrument disclosures	Link Asset Management (LAM) Treasury management advisors	None. We expect to use information supplied by LAM to support our challenge and assumptions to management.

## Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our planned audit approach.

We have not identified any service organisations for 2021/22.



# 04

Section 04:

## **Significant risks and other key judgement areas**

Page 46

# 4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

## Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

## Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

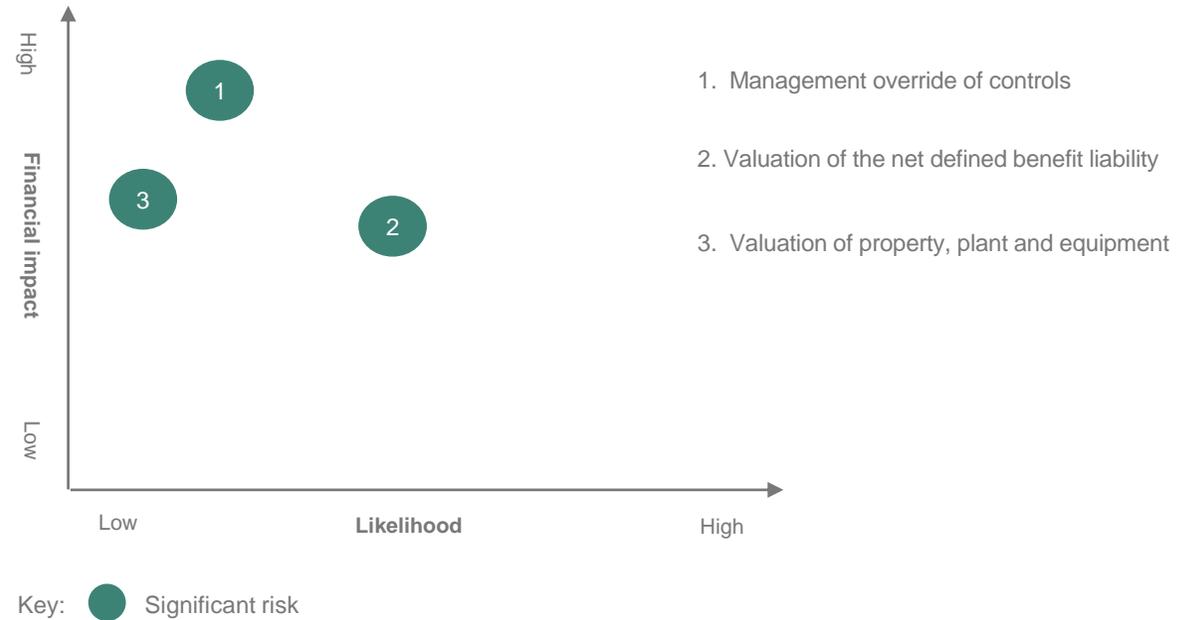
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

## Standard risk

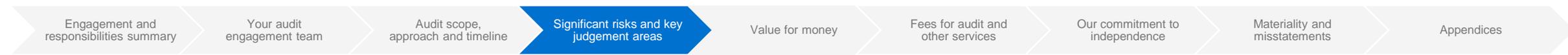
This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

## Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



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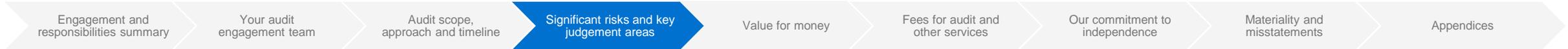
# 4. Significant risks and other key judgement areas

## Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to Audit Committee.

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
1 Page 48	<p><b>Management override of controls</b></p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

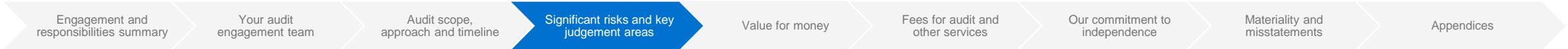


# 4. Significant risks and other key judgement areas

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p><b>Net defined benefit liability valuation</b></p> <p>The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet.</p> <p>The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits.</p> <p>Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p> <p>Relevant Account Balances (taken from the 2020/21 audited financial statements):</p> <ul style="list-style-type: none"> <li>Pension liability = £69,456k</li> </ul>	○	●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> <li>critically assess the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary;</li> <li>liaise with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;</li> <li>review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by PWC and consulting actuary engaged by the National Audit Office; and</li> <li>agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements</li> </ul>

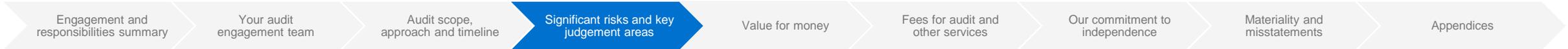
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# 4. Significant risks and other key judgement areas

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
Page 50	<p>3 <b>Valuation of property, plant and equipment</b></p> <p>Property related assets are a significant balance on the Council's balance sheet. The valuation of land and buildings is complex and is subject to a number of management assumptions and judgements.</p> <p>Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p> <p>At the planning stage of the audit, this risk covers (figures have been taken from the audited 2020/21 financial statements):</p> <ul style="list-style-type: none"> <li>• Land and Buildings = £22,043k</li> <li>• Investment Properties = £3,958k</li> </ul>	○	●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> <li>• critically assess the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;</li> <li>• consider whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;</li> <li>• assess whether valuation movements are in line with market expectations by using third party information provided by Gerald Eve to provide information on regional valuation trends;</li> <li>• critically assess the approach that the Council adopts to ensure that assets are not subject to revaluation in 2021/22 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; and</li> <li>• considering engaging our own valuation expert to support our work.</li> </ul>



# 05

## Section 05: **Value for money**

Page 51

# 5. Value for money

## The framework for Value for Money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

2021/22 will be the second audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

## Specified reporting criteria

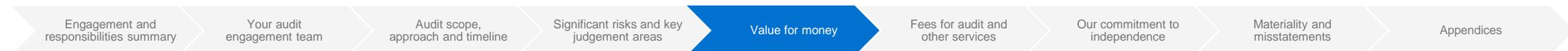
The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

## Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

The NAO's guidance requires us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist. Our VFM planning and risk assessment work is an ongoing process and to date, no risk of significant weaknesses in arrangements have been identified. We will report any further identified risks to the Audit Committee on completion of our planning and risk identification work.



# 06

Section 06:

**Fees for audit and other services**

Page 53

## 6. Fees for audit and other services

### Fees for work as the Council's appointed auditor

Details of the 2020/21 Actual and indicative 2021/22 Audit fees in line with PSAA and other reporting mechanisms are set out below:

Area of work	2021/22 Proposed Fee	2020/21 Actual Fee
Scale audit fee	£32,779	£32,779
Fee variations:		
Additional work in relation to responding to increased regulatory challenge in auditing the IAS19 pension figures contained within the financial statements.	£3,200 <sup>1</sup>	£2,998
Additional work in relation to responding to increased regulatory challenge in auditing the PPE figures contained within the financial statements.	£3,500 <sup>1</sup>	£3,196
SA540 - additional work in relation to auditing accounting estimates and related disclosure	£2,900 <sup>2</sup>	£2,892
Other – additional work in respect of Covid-19 grant income and expenditure	-	£1,188
<b>Sub-total</b>	<b>£42,379</b>	<b>£43,053</b>
Work undertaken in relation to VFM commentary	£9,000 <sup>3</sup>	£9,293
<b>Grand Total</b>	<b>£51,379 <sup>4</sup></b>	<b>£52,346 *</b>

\* Costs were reported to management within our 2020/21 fee letter, dated 24 May 2022. These costs are still subject to discussion and PSAA consultation.

We continue to liaise with PSAA regarding fee variations and sector-wide adjustments to the scale fee.

<sup>1</sup> As previously reported to you, the scale fee has been adjusted to take into account the additional work required as a result of increased regulatory expectations in these areas.

<sup>2</sup> New auditing standards have been introduced which will lead to additional audit work not reflected in the scale fee.

<sup>3</sup> As explained in section 5, the revised Code of Audit Practice has led to a substantial amount of additional audit work to support the new value for money conclusion and the changes in reporting requirements. The final fee will take into account the extent and complexity of any significant weaknesses in arrangements we identify.

<sup>4</sup> This is a proposed fee for 2021/22 at the point of the issue of our ASM. This figure is subject to change and additional costs will be discussed with management.

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Value for money

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

Appendices

# 07

Section 07:

**Our commitment to independence**

Page 55

# 7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC’s Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

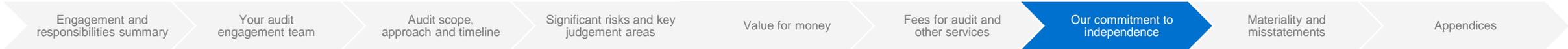
- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- approval by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with David Hoose in the first instance.

Prior to the provision of any non-audit services David Hoose will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

**No threats to our independence have been identified.**



# 08

Section 08:

## **Materiality and misstatements**

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# 8. Materiality and misstatements

## Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	1,081
Performance materiality	811
Trivial threshold for errors to be reported to Audit Committee	32
Specific materiality:	
Senior Officers Remuneration	5*
Termination Payments	25
Member's allowance	45

\* Represents movement between bandings within the note

## Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

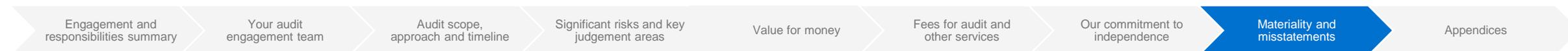
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross revenue expenditure. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to Audit Committee.

We consider that the gross revenue expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



# 8. Materiality and misstatements

## Materiality (continued)

We expect to set a materiality threshold at 2% of gross revenue expenditure. Based on prior year audited financial statements we anticipate the overall materiality for the year ended 31 March 2022 to be in the region of £1,081k.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

## Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 75% of overall materiality as performance materiality.

## Misstatements

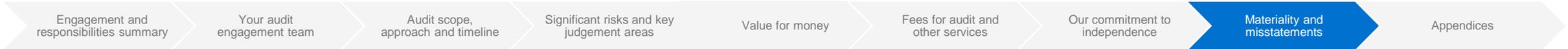
We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £32k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with David Hoose.

## Reporting to Audit Committee

The following three types of audit differences above the trivial threshold will be presented to Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





## Appendix: Key communication points

# Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

## Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

## Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;

- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

## Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Value for money

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

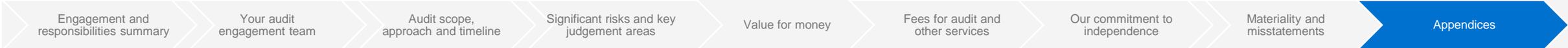
Appendices

# Appendix: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

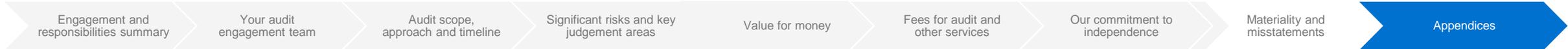
Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
<p>With respect to misstatements:</p> <ul style="list-style-type: none"> <li>• uncorrected misstatements and their effect on our audit opinion;</li> <li>• the effect of uncorrected misstatements related to prior periods;</li> <li>• a request that any uncorrected misstatement is corrected; and</li> <li>• in writing, corrected misstatements that are significant.</li> </ul>	Audit Completion Report
<p>With respect to fraud communications:</p> <ul style="list-style-type: none"> <li>• enquiries of Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;</li> <li>• any fraud that we have identified or information we have obtained that indicates that fraud may exist; and</li> <li>• a discussion of any other matters related to fraud.</li> </ul>	Audit Completion Report and discussion at Audit Committee, Audit planning and clearance meetings

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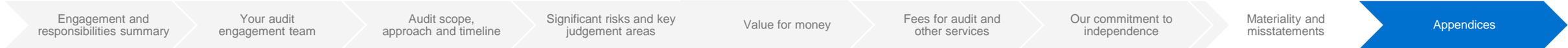
# Appendix: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• non-disclosure by management;</li> <li>• inappropriate authorisation and approval of transactions;</li> <li>• disagreement over disclosures;</li> <li>• non-compliance with laws and regulations; and</li> <li>• difficulty in identifying the party that ultimately controls the entity.</li> </ul>	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</li> <li>• significant difficulties, if any, encountered during the audit;</li> <li>• significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management;</li> <li>• written representations that we are seeking;</li> <li>• expected modifications to the audit report; and</li> <li>• other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to Audit Committee in the context of fulfilling their responsibilities.</li> </ul>	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report</p>



# Appendix: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that Audit Committee may be aware of.	Audit Completion Report and Audit Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>• whether the events or conditions constitute a material uncertainty;</li> <li>• whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and</li> <li>• the adequacy of related disclosures in the financial statements.</li> </ul>	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report



David Hoose

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars’ integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.

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## Report to Audit Committee

**Subject:** Internal Audit Reports

**Date:** 28 June 2022

**Author:** Charlotte Thomas – Internal Audit Manager (BDO)

### Purpose

To summarise the outcome of the internal audit activity completed by the BDO Internal Audit Team for the period March 2022 to June 2022.

To provide an update on the status of previous internal audit recommendations which have fallen due in the period November 2021 to June 2022.

To provide the Head of Audit Opinion based on the outcome of the internal audit activity completed by the BDO Internal Audit Team in accordance with the approved 2021/22 Internal Audit Plan.

### Recommendation(s):

#### THAT:

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

## 1. Background

1.1 The Internal Audit Plans for 2021/22 and 2022/23 were approved by the Audit Committee on 16 March 2021 and 15 March 2022 respectively. The progress report provides a summary update of the work undertaken by BDO. In addition, the report identifies the work underway within the 2022/23 approved internal audit plan and the schedule in which we anticipate presenting the final reports to the Audit Committee over the year.

1.2 Following BDO's replacement of RSM as Internal Auditors in April 2020, we will 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 2021/22 and 2022/23 audit plans.

1.3 The role of internal audit is to provide an opinion to Full Council, through the Audit Committee (AC), on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service.

## **2. Proposal**

2.1 Whilst no audit reports have been finalised since the last Audit Committee meeting on 15 March 2022, significant work has been undertaken on the following and it is anticipated that they will be finalised and presented to the Audit Committee on 20 September 2022.

### Internal Audit Plan 2021/22

- Procurement and Contract Management
- Environmental Health Enforcement
- Sustainable Environment

### Internal Audit Plan 2022/23

- Corporate Governance and Performance Management
- Cyber Security

2.2 The Follow Up report includes details of all recommendations followed up since our previous Follow Up report to the Audit Committee on 14 December 2021.

2.3 The Annual Report provides the Head of Audit Opinion based on the outcome of the work completed as part of the 21/22 internal audit plan.

## **3. Financial Implications**

3.1 The Internal Audit Plan is delivered within the approved budgets.

## **4. Legal Implications**

4.1 There are no legal implications arising directly from this report.

## **5. Equalities Implications**

5.1 There are no equalities implications arising directly from this report.

## **6. Carbon Reduction/Environmental Sustainability Implications**

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

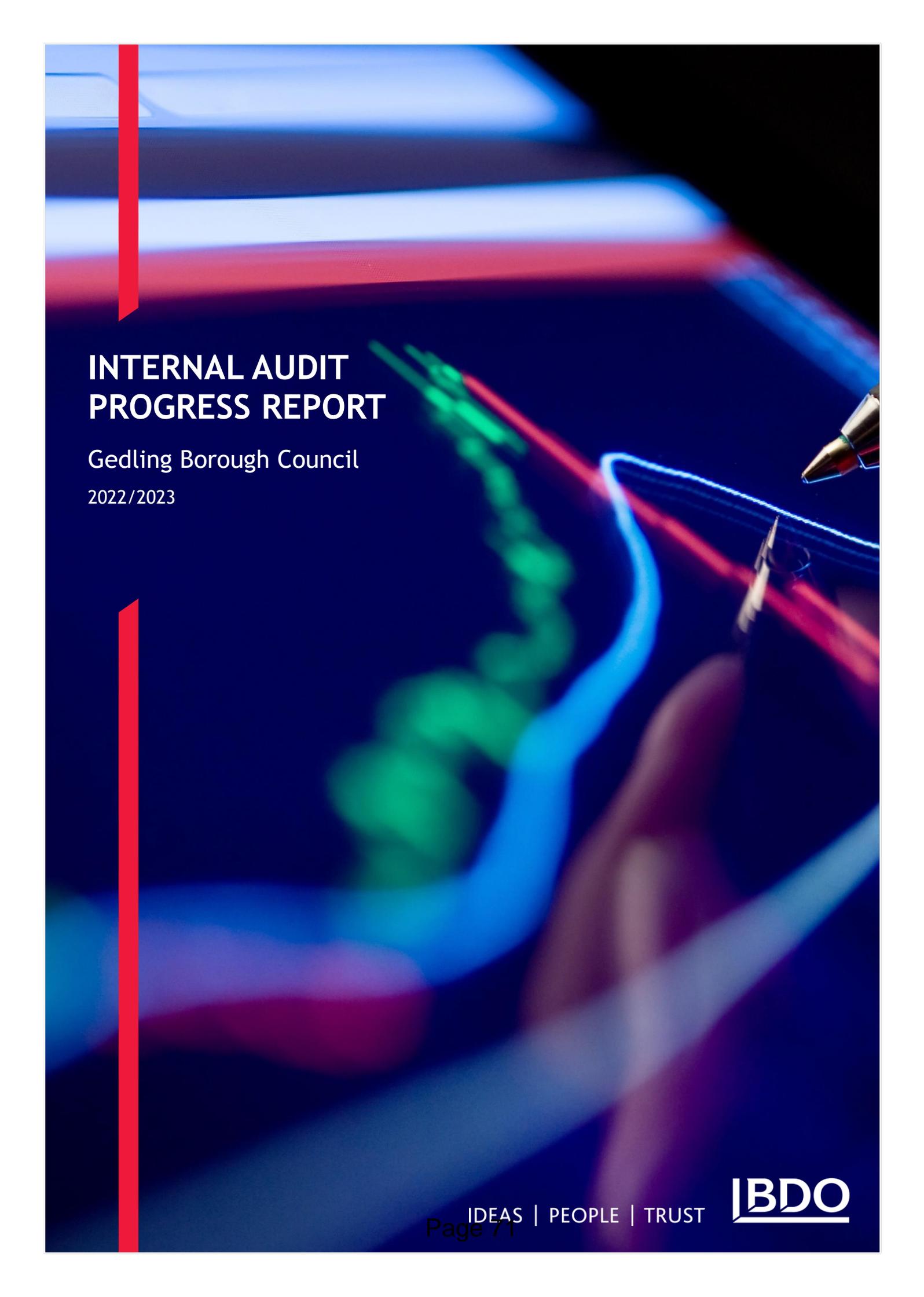
## **7. Appendices**

7.1 BDO Internal Audit Progress Report 2022/23

7.2 BDO Internal Audit Follow Up of Recommendations Report

7.3 BDO Internal Annual Report and Annual Statement of Assurance 2021/22

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**INTERNAL AUDIT  
PROGRESS REPORT**

Gedling Borough Council

2022/2023

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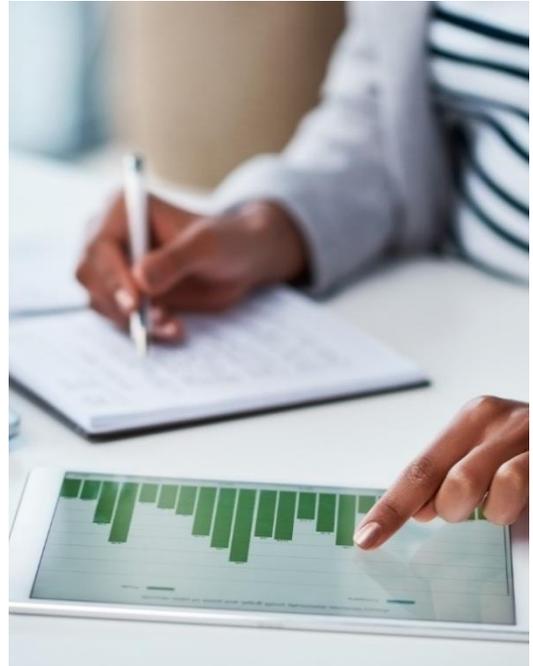
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# SUMMARY OF 2022/2023 WORK

## INTERNAL AUDIT

This report is intended to inform the Audit Committee of progress made against the 2022/2023 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.

## 2021/2022 INTERNAL AUDIT PLAN

There are three outstanding reports from the 2021/2022 plan:

- ▶ Procurement and Contract Management
- ▶ Environmental Health Enforcement
- ▶ Sustainable Environment

The work has been completed on these reviews and draft reports are complete, however discussions with management to finalise officer responses to the reports are still in progress. There will not therefore be presented to this Audit Committee. They will be presented to the Audit Committee in September. These audits are also not included in the Head of Internal Audit Annual Report and Annual Statement of Assurance, however, indicative opinions have been given for these review areas and have been taken into consideration in our annual opinion.

## 2022/2023 INTERNAL AUDIT PLAN

We are making progress in the delivery of the 2022/2023 audit plan, and fieldwork and draft reports have been completed in the following areas, however, the reports have not been finalised and are therefore not reported to this Audit Committee:

- ▶ Corporate Governance
- ▶ Cyber Security

The following audits are in planning stages and/or are underway:

- ▶ Recruitment and Retention
- ▶ Building Control and Development Management

We anticipate presenting these reports at the next Audit Committee in September.

## CHANGES TO THE 2022/2023 INTERNAL AUDIT PLAN

There are no planned changes to the 2022/23 Internal Audit Plan.

## REVIEW OF 2022/2023 WORK

AUDIT	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Corporate Governance and Performance Management	September 2022	✓	✓	✓		
Cyber Security	September 2022	✓	✓	✓		
Recruitment and Retention	TBC	✓	✓			
Economic Growth Framework and Partnerships	TBC	✓				
Business Continuity and Emergency Planning	TBC	✓				
Counter Fraud & Corruption Strategy	TBC	✓				
Main Financial Systems (MFS)	TBC	✓				
Workforce Strategy	TBC	✓				
Building Control and Development Management	TBC	✓				
Remote Working	TBC	✓				



## SECTOR UPDATE

Our quarterly local government sector update summarises recent publication and emerging issues relevant to local government that may be of interest to your organisation. It is intended to provide a snapshot of current issues for executive and senior managers, and local councillors.

### COUNCILS REQUIRED TO HAVE INDEPENDENT MEMBER IN AUDIT COMMITTEE

Councils will be required to have an audit committee with an independent member as part of the new system for regulating audit. The government yesterday announced further details of reform under which the Financial Reporting Council is to be replaced with the Audit Reporting & Governance Authority (Arga). The changes, intended to increase transparency over financial difficulties and improve value for money, stem from the Redmond Review, which was completed in December 2019. In 2021 the government signalled its intention to create Arga and yesterday the Department for Levelling Up, Housing & Communities published its final response to a technical consultation on the local audit framework.

The response said: “Fundamentally, it is important that councils, as with other public bodies, have appropriate measures in place: the government considers it proportionate to establish a simple principle that local authorities should have an audit committee, with at least one independent member.” However, some respondents to the Redmond Review feared that if issues were dealt with by an audit committee serious matters may not be passed to full council. Respondents also raised concerns about politicisation of committees. “Local authority respondents were more likely to be opposed to mandating audit committees, suggesting that it could undermine accountability of full council or prevent bodies tailoring committee arrangements to local need,” yesterday’s document noted.

Chartered Institute of Public Finance & Accountancy guidance currently says an audit committee is part of robust governance arrangements. Combined authorities are already required to have an audit committee, but it is not a statutory requirement for most types of local authority. CIPFA chief executive Rob Whiteman welcomed the progress, including around audit committees. He said: “We’re still concerned about the current state of the local audit market, particularly the serious delays in the publication of audited financial statements. These delays have a substantial impact on staff resources, which in turn affects policy delivery - including the government’s levelling up agenda. “Arga’s new dedicated team will need to have the right skills and experience if it’s to bring about positive and meaningful change to the sector. CIPFA also welcomes the government’s proposal to make audit committees compulsory for all English local councils. We believe that an effective audit committee is essential for good governance arrangements - so this is good news.”

<https://www.lgplus.com/finance/councils-to-be-required-to-have-audit-committee-with-independent-member-01-06-2022/>

#### FOR INFORMATION

For the Audit Committee Members and Executive Directors



## OFSTED-STYLE INSPECTIONS AND UNLIMITED FINES FOR FAILING SOCIAL LANDLORDS

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The UK Government announced on the 8 June that it plans to imbue the Regulator of Social Housing with stronger powers, via the Social Housing Regulation Bill which went to Parliament on the 8 June. If it becomes an Act of Parliament, the Regulator will have stronger powers to issue unlimited fines, enter properties with only 48 hours' notice - down from 28 days - and to make emergency repairs where there is a serious risk to tenants. Landlords will have to foot the bill.

In a major reset of power between tenants and landlords, residents will be able to demand information and rate their landlord as part of new satisfaction measures. The Bill will form a key part of the government's mission to level up across the country and deliver on the people's priorities.

Tenants will have a direct line to government, with a new 250-person residents panel convening every 4 months to share their experiences with ministers, inform policy thinking and help drive change in the sector.

The Bill is the latest step in addressing the systemic issues identified following the Grenfell Tower tragedy, not just on the safety and quality of social housing, but about how tenants are treated by their landlords.

<https://www.gov.uk/government/news/ofsted-style-inspections-and-unlimited-fines-for-failing-social-landlords>

### FOR INFORMATION

For the Audit Committee Members and Executive Directors

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## INFLATION LEAVES COUNCILS IN 'DIFFERENT UNIVERSE'

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Councils are facing alarming - and growing - budget black holes as they wrestle with steepening costs driven by soaring inflation. The cost-of-living crisis has created a perfect storm of increasing public demand for services and rising fuel and other bills for local authorities.

One council is warning that the crisis could add up to £50m a year to its costs over the next three years. Many others are urgently seeking to cut costs to mitigate the impact of the inflation surge - potentially leading to service cuts.

The consumer price index is 7% and is on course to top 9% amid a record-breaking spike in energy bills. Inflation is at its highest rate for 30 years, having hovered at or below 2% for as long as many finance officers have been in post.

"Many younger finance officers won't ever have had to contend with managing high and volatile inflation," one council finance expert told LGC. "The wider impact of the cost-of-living crisis means councils are facing increasing demand for their services while also being under financial pressure themselves. This will cause some challenges."

Another big challenge is looming, as budget forecasts are based on council pay inflation of 3% for 2023-27. Those levels are likely to be challenged by unions as their members face inflation outstripping this.

LGC's finance source said budgets agreed as recently as February were "optimistic", adding: "This is a different universe councils are now operating in. Can they keep on with their current arrangements and still maintain a balanced budget? If these cost pressures are a short-term issue, they will probably be able to cope."

"If inflation stays high for a prolonged period, we're probably looking at calls from sector bodies for the government to step in with grant funding as they did during the pandemic."

The Local Government Association is monitoring inflation. A report for its resources board in March noted how issues were emerging at the same time as "much of the temporary financial support provided during the pandemic is being withdrawn". It warned: "This presents particular challenges for councils seeking to deliver the levelling up agenda and promote confident, resilient communities and inclusive, sustainable local economies."

<https://www.lgcplus.com/finance/inflation-leaves-councils-in-different-universe-25-05-2022/>

### FOR INFORMATION

For the Audit Committee and Executives

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## CHANCELLOR RAISES HOUSEHOLD SUPPORT FUND BY £500M

The government will top up the household support fund by a further £500m to support families with the cost-of-living crisis, the chancellor of the exchequer announced last week. The fund, which is distributed by county councils and unitary authorities, is set out to support those most in need due to rising living costs. On 26 May the chancellor announced the scheme would be extended from October 2022 to March 2023 with the new funding bringing the total available to £1.5bn.

Other measures included:

- A £200 increase to the energy bills discount, bringing the total discount to £400. The government has scrapped the requirement for this discount to be repaid over the next five years.
- A new, temporary, energy profits levy on oil and gas firms which is expected to raise around £5bn over the next year to help with the cost of living.
- A new investment allowance to encourage firms to invest in oil and gas extraction in the UK.
- A one-off £650 payment to low-income households currently on universal credit, tax credits, pension credit, and legacy benefits.
- A separate one-off £300 payment to pensioner households and £150 to individuals currently receiving disability benefits.

The package did not extend the council tax rebate scheme, which has been criticised for being too bureaucratic and not providing targeted support to the most vulnerable households.

Responding to the chancellor's announcement, James Jamieson (Con), the chair of the Local Government Association said: "We are pleased the Stephen Houghton (Lab), the chair of the Special Interest Group of Municipal Authorities said: "The increase in the Household Support Fund is very welcome - councils are well placed to support the most vulnerable and will target this money well.

"The other cost of living measures announced today are also welcome, although it is disappointing that these funds weren't introduced at the Spring Statement back in March when many had identified the significant inflationary pressures households were facing," Cllr Houghton added.

<https://www.lgcplus.com/finance/chancellor-raises-household-support-fund-by-500m-26-05-2022/>

### FOR INFORMATION

For the Audit Committee Members and Executive Directors

## REVEALED: WHITEHALL'S CONSULTATIONS BLACK HOLE

Ministers have failed to respond to more than 40 consultations which impact on local government's work, leading to concern that councils are being hindered by limited central capacity, LGC research shows. Out of 69 consultations which opened from January 2019 onwards which are listed on the gov.uk website and closed four or more months ago, 47 are outstanding while just 22 - fewer than a third - have been responded to. The vast majority of these were led by the Department for Levelling up, Housing & Communities.

This possibly demonstrates the impact on delays to government business resulting from the pandemic. The government's workload in tackling the Ukrainian refugee crisis potentially means the backlog will not ease any time soon. But some analysts also see the delays as a sign of a government dragging its heels on issues it finds too politically sensitive or complex to deal with.

The unfinished consultations include one that dates to when the Conservative/ Liberal Democrat coalition was in power, when DLUHC was known as the Department for Communities & Local Government. The review of the local authority role in housing supply, which sought ideas on how councils could help to increase housing supply to meet local need, ran from March to May 2014.

DLUHC's capacity constraints are also believed to be affecting the pace at which county deals are negotiated; a recent Local Government Association report on devolution raised concerns about "departmental burnout" impacting the devolution rollout.

Graeme McDonald, managing director of the Society of Local Authority Chief Executives & Senior Managers, pointed to the number of secretaries of state at the department now known as DLUHC - four in four years, compared with only three in the eight years prior to that - each with "slightly different priorities", prompting changes of direction.

**REVEALED: WHITEHALL'S CONSULTATIONS BLACK HOLE**

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One policy analyst told LGC they felt a perceived surge in recent years in consultations and reviews being announced was a symptom of the present government being eager to announce policies they can “point to [without] actually having done anything”.

But some policies, such as those relating to reforms of the private rented sector, gained new life in the levelling up white paper.

Trevor Holden, the managing director of Broadland DC and South Norfolk Council, said: where consultees’ responses differ from the government’s perspective, it should move to “more meaningful engagement” rather than falling silent or, in some instances, ploughing on with the policy regardless. He is concerned the Department for Environment, Food & Rural Affairs will “push back” against consultation respondents from councils opposed to its plans to make garden waste collection free, and will pursue the policy regardless because it meets the political aims.

Mr Holden advises ministers: “If you have an answer back that is different to the one you wanted, get the right people in the room to discuss that with officials so you can move the agenda forward rather than just ignoring it. Otherwise, it’s all a waste of everybody’s time. We are all co-authors and conspirators in the services we deliver.”

<https://www.lgcplus.com/politics/revealed-whitehalls-consultations-black-hole-20-04-2022/>

**FOR INFORMATION**

For the Audit Committee and Executives

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# KEY PERFORMANCE INDICATORS

QUALITY ASSURANCE	KPI	RAG RATING
The auditor attends the necessary, meetings as agreed between the parties at the start of the contract	All meetings attended including Audit Committee meetings, pre-meetings, and contract reviews have been attended by either the director or audit manager	
Positive result from any external review	Following an External Quality Assessment by the Institute of Internal Auditors in May 2021, BDO were found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards	
Quality of Work	No surveys have been issued yet for 22/23	
Completion of audit plan	We had hoped to bring the Cyber Security report to this Audit Committee however due to the opinion level given in our draft report, this warrants further discussion, this has been delayed and will now be brought to the next Audit Committee	
Follow-up of recommendations	There are some recommendations with several revised due dates and we have struggled to obtain a response to some follow-up emails, partly due to circumstances such as changes in staffing, the pandemic and the council tax rebate demanding time and resource. Now that we are able to visit client site more often as things open up post Covid-19, we are hoping to strengthen relationships with auditees which will hopefully resolve this issue.	

# APPENDIX 1

## OPINION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION	FINDINGS FROM REVIEW
 <b>Substantial</b>	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.
 <b>Moderate</b>	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.
 <b>Limited</b>	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.
 <b>No</b>	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 DEFINITION

RECOMMENDATION SIGNIFICANCE	
 <b>High</b>	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.
 <b>Medium</b>	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.
 <b>Low</b>	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.

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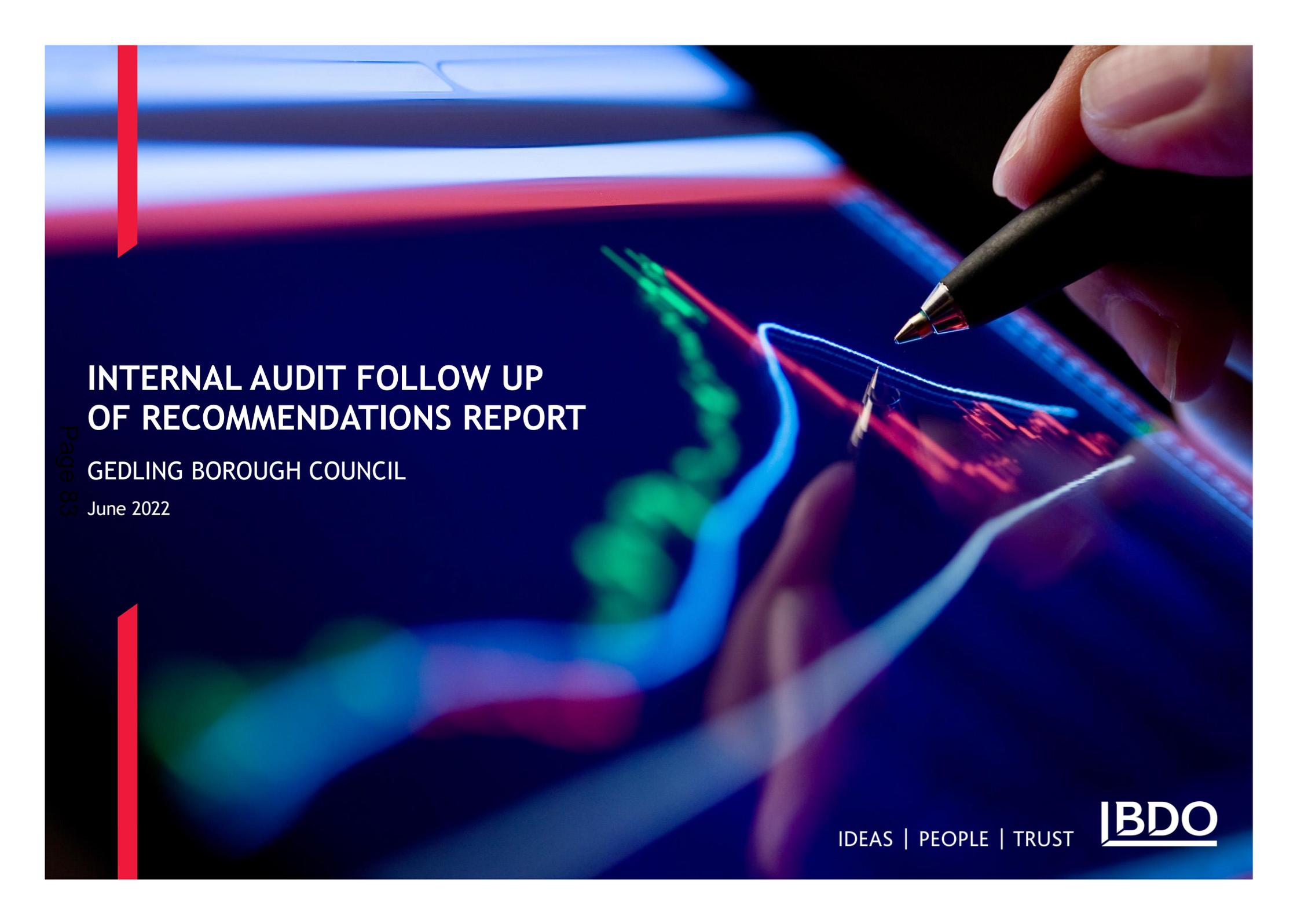
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**INTERNAL AUDIT FOLLOW UP  
OF RECOMMENDATIONS REPORT**

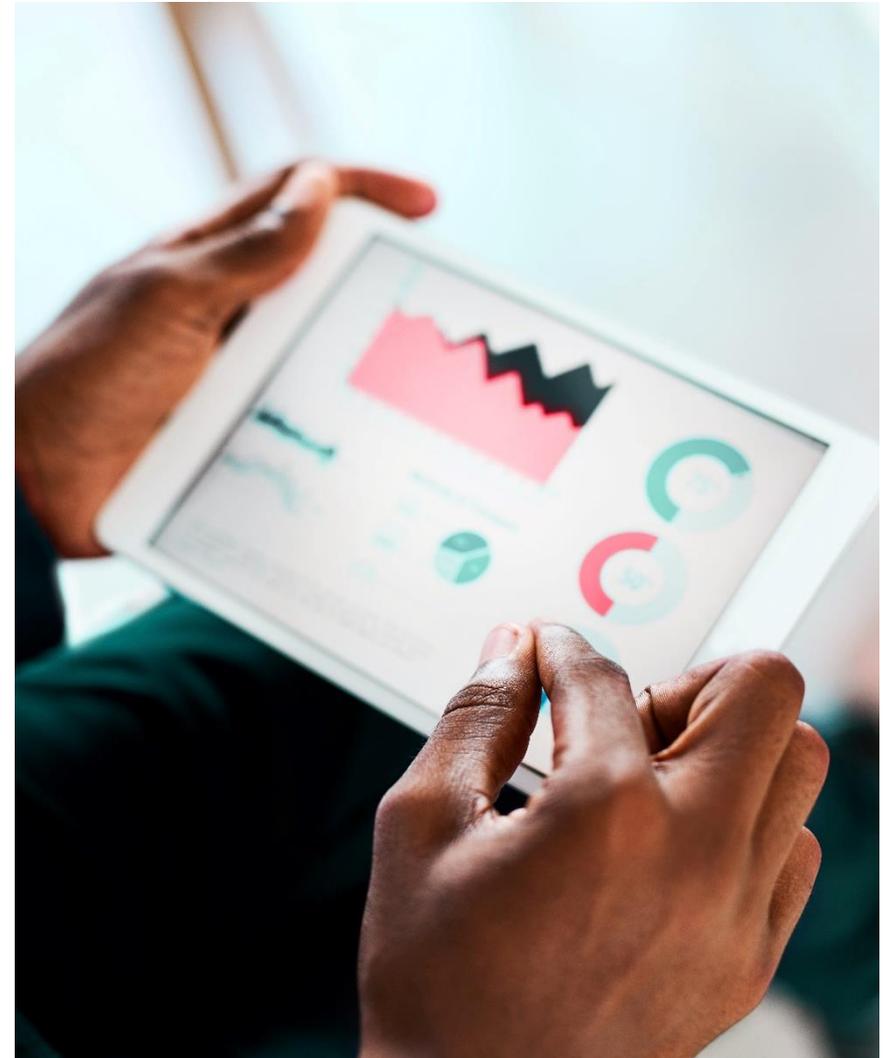
**GEDLING BOROUGH COUNCIL**

June 2022

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# SUMMARY

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## 2019/20 (LEGACY)

	Total Recs	H	M	L	To follow up	Complete		In progress		Overdue		Not Due	
						H	M	H	M	H	M	H	M
Contracts & Procurements (18/19)	1	-	1	-	1	-	-	-	1	-	-	-	-
Grounds Maintenance Parks (18/19)	1	-	-	1	-	-	-	-	-	-	-	-	-
Property Investment (18/19)	1	-	1	-	1	-	-	-	1	-	-	-	-
IT General Controls (19/20)	3	-	1	2	1	-	-	-	1	-	-	-	-
Council Tax (19/20)	1	-	1	-	1	-	-	-	1	-	-	-	-
Corporate Governance (19/20)	2	-	1	1	1	-	-	-	1	-	-	-	-
Leisure Centres (19/20)	1	-	1	-	1	-	1	-	-	-	-	-	-
<b>Total</b>	<b>10</b>	<b>-</b>	<b>6</b>	<b>4</b>	<b>6</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 2020/21

	Total Recs	H	M	L	To follow up	Complete		In progress		Overdue		Not Due	
						H	M	H	M	H	M	H	M
Sickness Management	1	-	-	1	-	-	-	-	-	-	-	-	-
Council Tax & NNDR	2	-	-	2	-	-	-	-	-	-	-	-	-
Cyber Risk	1	-	1	-	1	-	1	-	-	-	-	-	-
Budget Management	2	-	-	2	-	-	-	-	-	-	-	-	-
Main Financial Systems	2	-	-	2	-	-	-	-	-	-	-	-	-

Commercialisation	4	1	3	-	4	-	-	1	3	-	-	-	-
Health & Safety	2	-	2	-	2	-	-	-	-	-	2	-	-
Taxi Licensing	3	-	2	1	2	-	-	-	2	-	-	-	-
<b>Total</b>	<b>17</b>	<b>1</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>

**JUNE 2022**

Total Recs	H	M	L	To follow up
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Complete		In progress		Overdue		Not Due	
H	M	H	M	H	M	H	M

Asset Management	4	-	1	3	1	-	-	-	1	-	-	-	-
Risk Maturity	18	-	17	1	17	-	3	-	14	-	-	-	-
Housing Benefits	1	-	-	1	-	-	-	-	-	-	-	-	-
Sustainable Growth	3	-	1	2	1	-	-	-	1	-	-	-	-
Homelessness & TA	4	-	4	-	4	-	-	-	4	-	-	-	-
Main Financial Systems	3	-	-	3	-	-	-	-	-	-	-	-	-
IT Architecture	3	-	3	-	3	-	-	-	-	-	-	-	3
<b>Total</b>	<b>36</b>	<b>-</b>	<b>26</b>	<b>10</b>	<b>26</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>

# SUMMARY

## LEGACY RECOMMENDATIONS (2019/20)

Please find below a summary of the status of implementation of recommendations arising from reports issued by the Council’s previous internal auditors in 2018/19 and 2019/20 (LEGACY):

- ▶ Of the 10 outstanding recommendations, 6 were medium and 4 were low. Of the 4 lows, 1 has been implemented and 3 are in progress
- ▶ Of the 6 medium recommendations:
  - 1 has been fully implemented, relating to Leisure Centres
  - 5 are in progress (Contracts and Procurement, Corporate Governance, Property Investment, IT General Controls and Council Tax respectively). These are detailed on pages 7-8 and have been assigned a new completion date.

## 2020/21

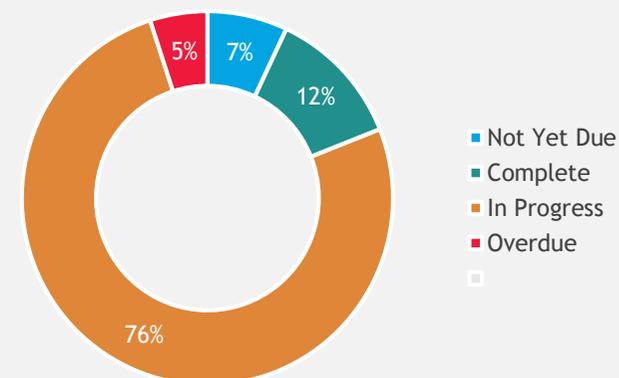
Please find below a summary of the status of implementation of recommendations arising from reports issued in June 2022:

- ▶ Of the 17 total outstanding recommendations, 8 were low, 8 were medium and 1 was high. Of the 8 low recommendations, 3 are incomplete, 4 are in progress and we are awaiting a response on 1
- ▶ Of the 8 medium recommendations:
  - No recommendations were deemed fully implemented however progress had been made against 3 medium recommendations relating to the Commercialisation review and 2 medium recommendations relating to Taxi Licensing
  - 2 medium recommendations from the Health and Safety review are incomplete and overdue, see further detail on page 19
  - 1 medium recommendation one is superseded (reported as ‘complete’), relating to Cyber Risk. A Cyber Security audit has recently taken place, which will be reported to the September 2022 Audit Committee and which will cover this area.
- ▶ The 1 high recommendation (relating to Commercialisation) is in progress.

### REQUIRED AUDIT COMMITTEE ACTION:

We ask the Audit Committee to note the progress against the recommendations.

### June 2022 Cumulative implementation



## 2021/2022

Please find below a summary of the status of implementation of recommendations arising from reports issued in June 2022:

- ▶ Of the 36 total recommendations, 10 were low and 23 were medium. Of the low recommendations, 1 is fully implemented, 2 are in progress, 4 we have not yet received a management response on, and 3 are not yet due.
- ▶ Of the 26 medium recommendations:
  - 3 have been fully implemented
  - 2 medium recommendations were due by April 2022, but we are awaiting responses from management about progress on implementation. These related to the Sustainable Growth - Employment and Skills and Asset Management audits. These have been reported as in progress, and assigned a new completion date
  - 14 are in progress
  - 3 are not yet due.

## RECOMMENDATIONS: COMPLETE

AUDIT	ACTIONS AGREED	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
Leisure Centres (19/20)	<ol style="list-style-type: none"> <li>The Fire Risk Assessments only need to be updated when significant changes have been made. The FRA's for all sites will be completed in 2020 as good practice.</li> <li>Fire alarm testing for all sites - agreed</li> <li>ALC fixed electrical test was a full 5-year test so was not due for renewal</li> </ol> CFLC Fire equipment & fire alarm testing - agreed	Medium 	Leisure Manager	<del>31/07/2021</del> <del>31/10/2021</del> 30/05/2022	CLFC and RLC safety audits have now been completed.  <b>IA Comments:</b> We received evidence of these audits and confirm this action is complete.
Risk Maturity (20/21)	All risks recorded on the risk register should be appropriately evaluated and assigned a risk score.	Medium 	Head of Finance and ICT	31/12/2021	Implemented. Quarterly reviews ensure that risks are being scored.  <b>IA Comments:</b> We obtained evidence of this completion and confirm this action is complete.
Risk Maturity (20/21)	The overall risk environment in the Development and Place service needs to be reviewed to ensure the service risk register still accurately reflects the service's exposure to risk due to the risk register currently showing no changes or updates to any of the risks for the past three quarters.	Medium 	Head of Finance and ICT	30/09/2021	Implemented. Communications with service areas to remind them to do this obtained.  <b>IA Comments:</b> We obtained evidence of this completion and confirm this action is complete.

## RECOMMENDATIONS: IN PROGRESS

These recommendations have been marked as In Progress as they have not been implemented by their original date; a revised date has been provided.

AUDIT	RECOMMENDATIONS MADE	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
Contracts & Procurement (18/19)	Once the Council has its own licence for the e-procurement system a digital register facility will be available for use through the Contract Management module. All Council contracts will then be held on this system.	Medium 	Assistant Director, Finance	<del>31/12/2021</del> 31/12/2022	Management reported that work to establish an automated contract register through the e-procurement system has stalled due to staffing changes among the procurement team and the need to undertake other contract work (particularly the new insurance contract). The manual process for the production of the contract register is still in place and this is updated on a regular basis. Work to implement the automated contract register will now be progressed.  <b>IA Comments:</b> Issues acknowledged and new target date set.
Corporate Governance (2019/20)	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.	Medium 	Head of Governance & Customer Service	<del>30/04/2020</del> <del>30/12/2020</del> <del>01/09/2021</del> 30/09/2022	The management response explained that unfortunately this has still not been finalised due to other priorities and work pressures. It has been discussed with the officer's Director however and a draft of the Officer declaration of interests is in place. Management aim to get the register approved in this quarter by September  <b>IA Comment:</b> Issues acknowledged and new target date set.
Property Investment, Miscellaneous Properties & Facilities Management (18/19)	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.	Medium 	Property Services Manager	<del>30/09/2020</del> <del>16/10/2020</del> <del>30/04/2021</del> <del>31/03/2022</del> 30/09/2022	Management reported that this work is still under review, the condition surveys have not yet been complete, they are at 85% complete. After a number of significant changes in staffing we are looking at recommencing those now.  <b>IA Comments:</b> Progress acknowledged and new target date set.

<b>IT General Controls (19/20)</b>	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.	Medium 	Head of Finance and ICT	<del>30/09/2020</del> <del>31/01/2021</del> <del>31/01/2022</del> 31/03/2023	The Council has commissioned an external third party (Meritec) to undertake a baseline assessment of the current ICT service provision and produce an options appraisal. Once completed, this is intended to form the basis for the production of both a new ICT Strategy and Digital Strategy.
<b>IA Comments:</b> Progress acknowledged and new target date set.					
<b>Council Tax (19/20)</b>	All new liabilities will be processed and set up on the Civica system within 14 days of the Council receiving original notification.	Medium 	Housing and Welfare Support Officer	<del>31/12/2019</del> <del>31/12/2020</del> <del>31/10/2021</del> 31/12/2022	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. This situation is ongoing with business grants post payment assurance being administered as well as the administration of the energy bills rebate.
<b>IA Comments:</b> Issues acknowledged and new target date set.					
<b>Commercialisation (20/21)</b>	<p>A) The Council should establish a robust process for market research with evidence retained. See Appendix IV for more detail</p> <p>B) Market research should feed into a structured business case that is taken to Cabinet and scrutinised effectively</p> <p>C) Market research should be undertaken/overseen ensuring the competency of the individual is sufficient and this should be set out in the business case as to why this requirement has been met</p> <p>D) Appropriate mitigating actions for risks identified should be included and reviewed throughout the process to ensure risks are minimised</p> <p>E) Forecasting undertaken should take into account the market research completed with</p>	High 	Communications & Marketing Manager	<del>30/11/2021</del> 30/09/2022	<p>Total annual income has increased by 44% last year. The number of cremations and income continues to increase year on year:</p> <p>2019 - 2020: £20,428 (186 cremations)</p> <p>2020-2021: £31,493 (271 cremations)</p> <p>2021 - 2022: £45,216 (454 cremations)</p> <p>We are working to the annual plan for marketing the service this year, with ongoing marketing activity to pet owners in the nearby areas. The service viability will be reviewed in September. A decision will then be made on the future for the service. The service have reduced their running costs and bookings and income continues to increase from pet owners this year. We are in the middle of the vets' recruitment project. So far we have:</p> <ul style="list-style-type: none"> <li>Carried out a competitor analysis</li> </ul>

	<p>lead times built into the achievement of these forecasted figures and potential market shares</p> <p>F) Targets set should be in realistic proportion to the market size rather than the maximum amount that could be earned. Unless there is specific reason to do so, it should be expected that the market size to be achieved would be low (&lt;10% of the relevant local market) in the first year. Specific reasons could include a limited number of suppliers or specific networks/relationships which mean the Council would be well placed to obtain more of the market</p> <p>G) Annual target setting should take into account previous year's performance with detailed forecasting completed and evidenced.</p>				<ul style="list-style-type: none"> <li>Created a spreadsheet of vets in the borough and neighbouring areas.</li> <li>Identified a sample to contact (including at home euthanisers, independent vet practices and vet practices in larger organisations)</li> <li>Created an electronic sales brochure for vet practices.</li> <li>Emailed vets with an introductory email and the electronic brochure</li> <li>Arranged to do follow up calls 2 weeks after they will have received the email</li> <li>Started to collate responses and follow them up.</li> </ul> <p>We should know in a month if we have any vet practices interested in taking out a contract with us for their pet cremations.</p> <p><b>IA Comments:</b></p> <p>It is acknowledged that progress has been made however there are still further actions to progress, such as the service viability, contacting of identified sample and reporting on targets.</p>
<p><b>Commercialisation (20/21)</b></p>	<p>A) Current viable commercial services should have business plans developed. Details on what should be included in a business plan can be seen at Appendix III.</p> <p>B) Moving forward, business plans should be established for future commercial services once they have been approved by Cabinet</p> <p>C) Business Plans should be reviewed on a periodic basis to ensure the services objectives and targets are appropriate. This should happen no later than 12 months from initial approval for all new business ventures.</p>	<p>Medium</p> 	<p>Head of Environment</p>	<p><del>30/11/2021</del> 14/08/2022</p>	<p>All commercial services within the Environmental Services department have business plans in place. These business plans are regularly reviewed and moving forward focus will focus on details outlined in Appendix III.</p> <p><b>IA Comments:</b></p> <p>Progress acknowledged and new target date set for full implementation.</p>
<p><b>Commercialisation (20/21)</b></p>	<p>A) There should be a detailed review of the quote conversion rate, looking at the reasons behind non-conversion rather than just the figures, with plans to address issues included in the meeting as a standing item</p>	<p>Medium</p> 	<p>Head of Environment</p>	<p><del>31/07/2021</del> 14/08/2022</p>	<p>We have worked with our Finance partner to review the pricing structure and conversion rate for the commercial services within the Environmental Services department. Minutes of meeting are recorded as necessary.</p>

	B) Minutes should be taken or an action plan established to detail steps decided upon				<b>IA Comments:</b> Progress acknowledged as reported, however evidence of completion not fully reviewed by IA as not yet received.
<b>Commercialisation (20/21)</b>	<p>A) A formalised reporting structure should be established for commercial activities with agreed upon reports established which cover financial, operational and performance information.</p> <p>B) Minutes, or at a minimum action logs, should be kept for meetings to ensure an adequate audit trail of monitoring is established and improvement actions are recorded and reviewed.</p>	Medium 	Head of Environment	<del>31/07/2021</del> 14/08/2022	<p>Monthly calendared meetings have been scheduled to review both the Tree team and Pet Cremation Services. These will be monitored moving forward to ensure an adequate audit trail.</p> <p>A review of the Tree Team service is due which will lead to the closure of this service.</p> <p><b>IA Comments:</b> Progress acknowledged and new target date set for full implementation.</p>
<b>Taxi Licensing (20/21)</b>	Update the vehicle inspection checklist used by workshop mechanics when documenting the vehicle inspections by adding in a comments section against each checklist criteria where the mechanic is required to provide a detailed narrative of what was identified during the inspection to substantiate the result. Following each inspection, the checklist should be reviewed and approved by a supervisor to confirm the checklist has been completed to a sufficient standard.	Medium 	Head of Environment	<del>31/03/2022</del> 14/08/2022	<p>The vehicle inspection checklist used by the workshop mechanics now has a comments section in which details of the reasons for any concerns or fails are listed. The taxi testing workshop does not have a supervisor at the moment, but any queries are referred to the workshop operations manager.</p> <p><b>IA Comments:</b> Progress acknowledged and new target date set for full implementation.</p>
<b>Taxi Licensing (20/21)</b>	<p>Monthly management reporting should be established for all basic licensing information including metrics such as those detailed in the finding above.</p> <p>The service should determine which of these metrics is most important in terms of monitoring its performance and should set key performance indicators for these metrics, monitoring its performance against each of these in the management reports, including the trend from previous months.</p>	Medium 	Head of Environment	<del>31/03/2022</del> 14/08/2022	<p>Monthly management reporting has been established for basic licensing information including metrics. Of those metrics identified performance against KPIs, each is shortly to be agreed.</p> <p>This work is in progress.</p> <p><b>IA Comments:</b> Progress acknowledged and new target date set for full implementation.</p>

Asset Management (21/22)	<p>A. A series of KPIs) should be agreed by the Property Services team and reported in a formal report each month to the Property Services Manager, for example:</p> <ul style="list-style-type: none"> <li>· % rental income from Council properties received within 30 days</li> <li>· Value of outstanding rental income</li> <li>· % repairs completed within a specified number of days from the original request</li> <li>· % of projects where cost is within +/- 5% of the estimated outturn</li> <li>· % of projects falling within +/- 5% of the estimated timescale</li> <li>· Customer satisfaction levels are above XX%</li> <li>· % split between planned and responsive maintenance.</li> </ul>	Medium 	Property Services Manager	31/03/2022 14/08/2022	<p><b>IA Comments:</b> Work is ongoing in regard to the updated Asset Management Plan and new KPIs will be developed as part of that work. In the interim period, some KPIs as suggested will be reported to SLT on a regular basis.</p>
	<p>The Council should ensure that all Property Services Service Plan reports include a progress update against each KPI to ensure the SLT are aware of the progress being made against each of the measures. This should include some narrative in the report to explain the actions undertaken towards the completion of KPIs.</p>				<p><b>IA Comments:</b> Progress acknowledged and new target date set for full implementation.</p>
Risk Maturity (21/22)	<p>Provide risk management training to all staff across the Council on a periodic basis as part of mandatory training cycles. The level of training should be proportional to the level of responsibility for risk management the officer/member holds.</p> <p>Heads of service and managers should be provided with comprehensive training to enable them to identify and adequately document a risk, identify appropriate mitigating controls and assurances and identify SMART actions to mitigate the risks.</p> <p>Officers below manager level should be provided with training to give them a</p>	Medium 	Head of Finance and ICT	31/03/2022 31/12/2022	<p>The frequency of the training for Members and officers along with the timescales have yet to be determined. It is anticipated that BDO will assist with the provision of training to Members and more senior officers.</p>

	<p>sufficient understanding and appreciation of the importance of risk management and how it impacts their role.</p> <p>As a minimum, it should be every officer's responsibility to be aware of what risk is, to be able to identify factors that could indicate an increased level of risk that may need to be escalated to their manager and to report on this when it is identified.</p>				<p><b>IA comments:</b></p> <p>As this was an advisory review, we accept that other immediate areas of work take precedence and are satisfied that the recommendation is in hand and will be addressed in due course. BDO will contact management to organise this training.</p>
Risk Maturity (21/22)	<p>The roles and responsibilities section of the Risk Management Strategy and Framework (including Appendix 2) should be updated to ensure it includes the responsibility of officers below manager level within the risk management function. As a minimum their responsibilities should include the need to understand risk management and its importance to the organisation and to be able to identify risk factors that could indicate an increased level of risk and to report these to their managers.</p>	Medium 	Head of Finance and ICT	<del>31/03/2022</del> 31/12/2022	<p>This recommendation has not been addressed due to other work demands. It should be addressed as part of the planned review of the Risk Management Strategy and Framework.</p> <p><b>IA comments:</b></p> <p>As this was an advisory review, we accept that other immediate areas of work take precedence and are satisfied that the recommendation is in hand and will be addressed in due course.</p>
Risk Maturity (21/22)	<p>The Risk Management Strategy and Framework should be reviewed and updated as necessary to ensure the information included is up to date and accurately reflects current procedure. It should also be updated to incorporate the recommendations raised in this review once implemented. Document control should also be added to the front cover of the Strategy to record who is responsible for managing the document and signing off changes, when the document was last updated, who approved the last update and a record of amendments to the document over time.</p>	Medium 	Head of Finance and ICT	<del>31/03/2022</del> 31/12/2022	<p>This recommendation has not been addressed due to other work demands.</p> <p><b>IA comments:</b></p> <p>As this was an advisory review, we accept that other immediate areas of work take precedence and are satisfied that the recommendation is in hand and will be addressed in due course.</p>
Risk Maturity (21/22)	<p>The Risk Management Strategy and Framework should be updated to include enhanced guidance on the identification of risk, including specific methods that officers should</p>	Medium 	Head of Finance and ICT	<del>31/03/2022</del> 31/12/2022	<p>As above</p>

	use to ensure that all risks within their service have been identified and recorded within their risk register.				
Risk Maturity (21/22)	The format of the risk registers should be updated to ensure that the risks identified are directly linked to the objectives in the Gedling Plan 2020 - 2023 and service plans which they impact. Risks should also be categorised by risk type within registers (such as financial, compliance, service delivery, etc.) to enable enhanced risk mapping to take place, giving the Council a better understanding of which areas it is exposed to the greatest risk.	Medium 	Head of Finance and ICT	<del>31/03/2022</del> 31/12/2022	As above
Risk Maturity (21/22)	All risk registers should be comprehensively reviewed, paying attention to the descriptions of risks. These should be updated and improved to ensure they sufficiently document the risk or hazard, its cause and the consequence should the risk materialise.	Medium 	Head of Finance and ICT	<del>31/03/2022</del> 31/12/2022	As above
Risk Maturity (21/22)	All risks within the corporate register should be accompanied by a direction of travel, which shows previous risk scores for at least the last three quarters to provide the reader with an understanding of whether the actions taking place are effectively mitigating the risk over time.	Medium 	Head of Finance and ICT	<del>31/12/2021</del> 31/12/2022	As above
Risk Maturity (21/22)	Where a risk has been evaluated with a current risk score equal to its raw risk score despite controls in place and documented on the register, a further review should take place to identify why the current controls are ineffective and what can be done further to improve the effectiveness of these controls.	Medium 	Head of Finance and ICT	<del>31/12/2021</del> 31/12/2022	As above
Risk Maturity (21/22)	A comprehensive review of all registers should take place to improve the level of detail recorded for controls and action plans. All recorded controls should include narrative of how they mitigate the risk and all recorded actions should be SMART actions. Where an action has an implementation date that is	Medium 	Head of Finance and ICT	<del>31/12/2021</del> 31/12/2022	As above

	overdue this should be raised with the risk owner to identify a specific plan to ensure the action is implemented in a timely manner with support from the SLT where needed.				
Risk Maturity (21/22)	The format of the service risk registers should be updated to ensure they include implementation dates for each action on the register.	Medium 	Head of Finance and ICT	<del>31/12/2021</del> 31/12/2022	As above
Risk Maturity (21/22)	The actions within the corporate risk register need to be reviewed to update the status of each action and ensure that the implementation status of the action accurately reflects the quarterly updates recorded.	Medium 	Head of Finance and ICT	<del>31/12/2021</del> 31/12/2022	As above
Risk Maturity (21/22)	The Risk Management Strategy and Framework should be updated to include the mechanisms in place to ensure discussions and decisions made at SLT meetings relating to the service risk registers are fed back to the relevant services in a timely manner.	Medium 	Head of Finance and ICT	<del>31/12/2021</del> 31/12/2022	As above
Risk Maturity (21/22)	Risk registers should be updated to record the assurances obtained that controls in place to manage risks are working effectively and where there are gaps in these assurances. This should follow the three lines of defence model.	Medium 	Head of Finance and ICT	<del>31/03/2022</del> 31/12/2022	As above
Risk Maturity (21/22)	Once the other recommendations from the report have been implemented and embedded to improve the foundations of the Council's risk management function, KPIs should be used to measure the effectiveness of risk management activity at the Council. This can include the proportion of risks operating at the target level and/or the overall effectiveness of risk management (current risk versus target	Medium 	Head of Finance and ICT	<del>31/03/2022</del> 31/12/2022	As above

	risk etc.). See Appendix II for a list of possible KPIs.				
<b>Sustainable Growth (21/22)</b>	<p>1A) The Council should ensure that actions that were assigned to the previous Head of Regeneration and Welfare, and Economic Growth Manager are transferred to appropriate colleagues</p> <p>1B) Actions should be reviewed to ensure they are SMART (suitable, measurable, attainable, realistic, timebound), with due dates that are feasible</p> <p>1C) The progress of actions should be reviewed and updated within Pentana to reflect the current state of play</p> <p>1D) In order for the Council to use Pentana effectively, training and/or guidance notes should be provided to all appropriate staff</p> <p>1E) The ability for Pentana to include all previous updates against each action should be investigated</p> <p>2) Regular progress reports should be presented to SLT which includes an overview of the events that have been delivered and those that are upcoming</p> <p>3) The performance indicators should be reviewed to ensure they are SMART, with target values assigned.</p>	Medium 	Head of Regeneration and Economic Growth Officer	<del>31/12/2021</del> 14/08/2022	<p><b>IA Comments:</b></p> <p>We have not yet received a response on this recommendation however we acknowledge that changes in staffing and the need initially to prioritise workloads are reasonable explanations and we expect to receive a response as soon as practicable.</p> <p>We have therefore amended the recommendation due date to follow up at the next Audit Committee.</p>
<b>Homelessness &amp; TA (21/22)</b>	The Council should work with Broxtowe Borough Council and Rushcliffe Borough Council to produce an updated Homelessness and Rough Sleeping Strategy and ensure that it addresses high local housing costs	Medium 	Housing and Welfare Support Manager	<del>31/03/2022</del> 30/09/2022	<p>The South Notts Housing Strategy consultation period has ended and result collated. A report was submitted to the Chief Executive who has raised several points that need to be addressed. Work is due to commence to address these and then submit to our Senior Leadership Team for approval before seeking Cabinet sign off.</p> <p><b>IA Comments:</b></p> <p>It is acknowledged that the Council has had capacity pressures in relation to administering the council tax rebate scheme which has reduced the ability of some officers in this area to progress these actions.</p>

Homelessness & TA (21/22)	<p>As per the South Nottinghamshire Homelessness and Rough Sleeping Strategy dated 2019-2021 the Council should ensure that clients' assessment of needs are reviewed at regular intervals. The frequency of the regular reviews should be agreed (eg. weekly/bi-weekly until any accommodation duty is discharged).</p> <p>Officers should use the inbuilt functionality in the Abrisas system to set diary reminders which will prompt officers to update client's case notes, and it will also remind them of the need to contact clients to ensure that the client's assessment of needs is regularly reviewed and updated.</p>	Medium 	Housing and Welfare Support Manager	<del>28/02/2022</del> 30/09/2022	<p>Following the recent department restructure we have amended key roles within the department. The Housing Needs Team leader no longer is responsible for the Homeseach (allocation section) freeing her time to work closely with Housing Needs officers and reviewing caseloads/casework and practices and procedures. We still have a few posts vacant before the section is fully operational but we are now due to start looking at raining across the section and improving procedures which will include setting reminders etc.</p> <p>The new Tenancy liaison Officer post will also address weekly concerns and that post will identify any new or existing needs and will either seek to address them directly or report back to the relevant HN officer to address.</p> <p><b>IA Comments:</b> Accepted and revised date set</p>
Homelessness & TA (21/22)	<p>The Council should pursue formulating a New Licence Agreement with the aim of introducing a daily charge to individuals/households who occupy Bed and Breakfast accommodation.</p> <p>The Council should re-assess internal arrangements and undertake their own spot checks on individuals/households who have spent significant amounts of time in Bed and Breakfast accommodation. These checks should be documented.</p>	Medium 	Housing and Welfare Support Manager	<del>31/03/2022</del> 30/09/2022	<p>Following a delay in the department restructure, the new Tenancy Liaison Officer post has now been created and advertised last week with the aim of making an timely appointment.</p> <p>With the work that is going on to improve the temporary accommodation provision and reduce the reliance on B&amp;B accommodation along with the new Tenancy Liaison post we are not seeking on changing any working practices until the whole process can be evaluated. This may include the introduction of new licence agreements and service charges, tenancy start up packs and weekly care , support and advice.</p> <p><b>IA Comments:</b> Accepted and revised date set</p>
Homelessness & TA (21/22)	<p>The performance indicators should be reconsidered to highlight performance against the new homelessness strategy, and consider the achievement of the homelessness service objectives. They should also be specific to limit ambiguity. KPIs set should also be achievable and measurable by the Council to ensure that overambitious targets are not set.</p> <p>Performance indicators should allow the service to assess the impact of any new initiatives and should pinpoint areas for</p>	Medium 	Housing and Welfare Support Manager	<del>31/03/2022</del> 31/03/2023	<p>The new Head of Regeneration and Welfare Services only came into post at the end of February 2022.</p> <p>At this time and with other priorities across her service area, the current KPI indicators have not yet been examined or reviewed but will be addressed.</p> <p><b>IA Comments:</b> Accepted and revised date set</p>

improvement. They should be robust, specific and measurable and also provide Elective Members and Senior Management with a critical analysis of the Council's performance in the prevention of homelessness.

Performance indicators could cover considerations such as:

- Prevention - are fewer people experiencing homelessness for the first time?
- Incidence of homelessness - are overall rates of homelessness declining?
- Length of stay in system - do people stay homeless for shorter periods of time?
- Successful resolution - do people resolve their housing/homeless crisis successfully by maintaining/obtaining permanent housing?
- Repeat incidents - are repeat occurrences of homelessness avoided or declining?

The Council should give consideration to adopting the following measurable Performance Indicators in order to specifically link into their Service Plan:

- Clients average length of stay in Bed and Breakfast accommodation in the last 18 months
- Active number of housing cases
- Average housing case per case officer
- Average housing case load
- Number of interventions realised.

The Council should carry out annual reviews of the key performance

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## RECOMMENDATIONS: OVERDUE

These recommendations have been marked as overdue as they have previously revised their implementation date. Therefore, they have now missed at least two implementation dates.

AUDIT	ACTIONS AGREED	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
Health & Safety (2020/21)	<p>A. The Car Parks Maintenance Policy should be reviewed and updated accordingly. The policy currently requires the street lighting to be inspected four times a year, but they are now only inspected twice yearly. It should be ensured that the current inspection regime is risk assessed and is adequate in its reduced frequency. This policy should then be approved/ratified accordingly</p> <p>B. A policy for the inspection of Council managed open spaces should be written and approved accordingly</p> <p>D. Ensure that policies developed, in particular relating to Open Spaces, include sufficient processes for addressing any defects noted. Specific time frames and guidance for prioritising work on defects should be included, for example RAG ratings could be used to indicate severity of observed defects.</p>	Medium 	Operations Management	<del>31/05/2021</del> <del>31/12/2021</del> 30/09/2022	<p>The Health and Safety Officer left the Council in January 2022. Health and safety support and guidance is currently being provided by the Health and Safety team at Bolsover DC</p> <p><b>IA Comment:</b> This is incomplete. We will follow up with Bolsover Council in advance of the next report to Audit Committee.</p>
Health & Safety (2020/21)	<p>A. Service Area Managers should be reminded of their responsibility to ensure risk assessments in their area have been signed-off and are reviewed at the required date</p> <p>B. All mitigating actions which remain outstanding should be identified, the appropriate action undertaken (eg training, purchase of personal alarms) and signed off as complete.</p>	Medium 	Operations Management	<del>31/05/2021</del> <del>31/12/2021</del> 30/09/2022	<p>Part A has been reported as completed however Part B remains incomplete for the same reasons provided above.</p> <p><b>IA Comment:</b> As above.</p>

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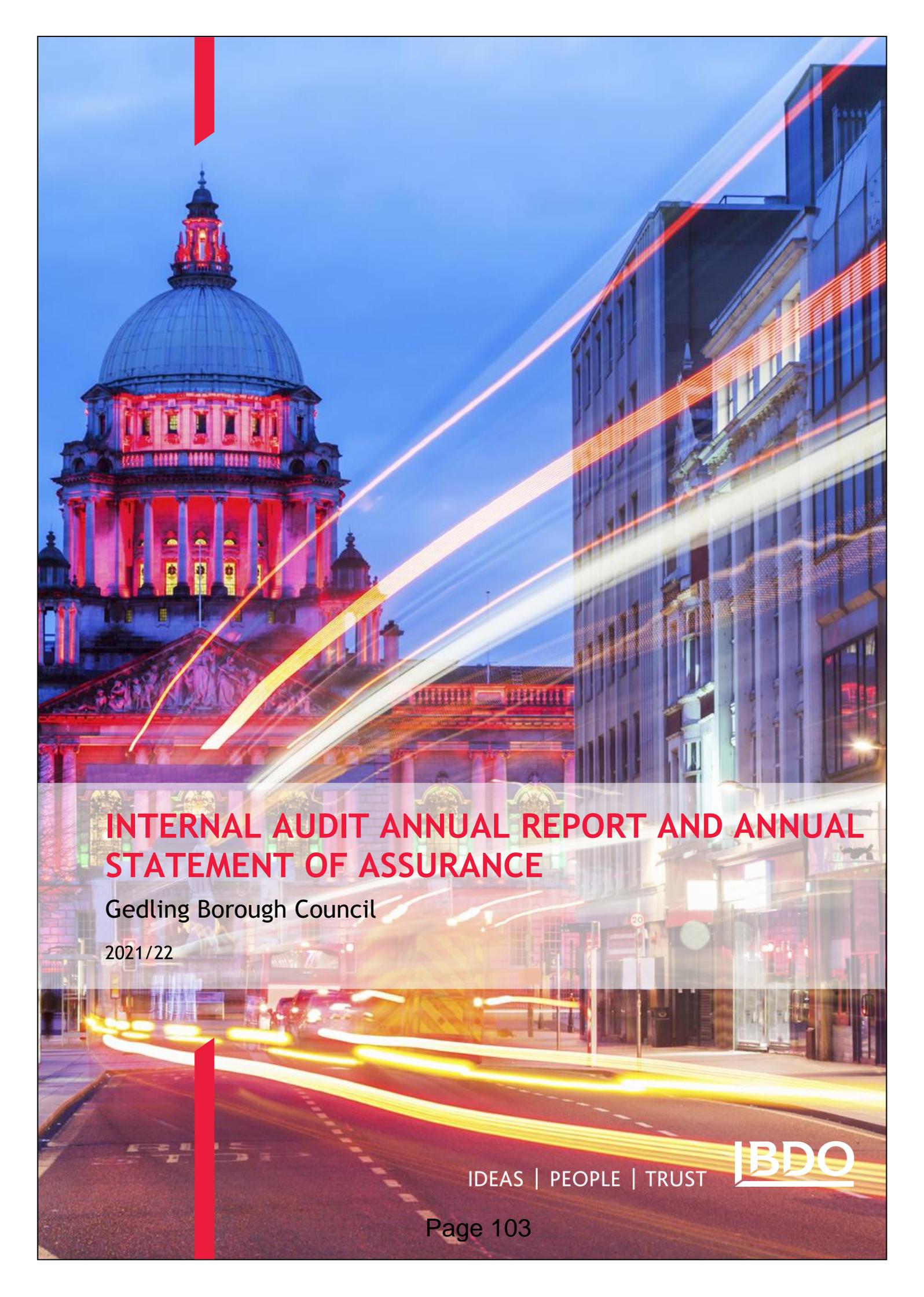
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# INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE

Gedling Borough Council

2021/22

IDEAS | PEOPLE | TRUST



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# EXECUTIVE SUMMARY

## Internal Audit 2021/22

This report details the work undertaken by internal audit for Gedling Borough Council and provides an overview of the effectiveness of the controls in place for the full year. The following reports have been issued for this financial year:

- Asset Management
- Risk Maturity
- Housing Benefits
- IT Architecture
- Sustainable Growth - Employment & Skills
- Homelessness & Temporary Accommodation
- Main Financial Systems

We have detailed the opinions of each report and key findings on pages four to eight. Our internal audit work for the 12 month period from 1 April 2021 to 31 March 2022 was carried out in accordance with the internal audit plan approved by management and the Audit Committee. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

### Head of Internal Audit Opinion

The role of internal audit is to provide an opinion to the Board, through the Audit Committee (AC), on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period. The basis for forming my opinion is as follows:

- An assessment of the design and operation of the underpinning Assurance Framework and supporting processes
- An assessment of the range of individual opinions arising from risk-based audit assignments contained within internal audit risk-based plans that have been reported throughout the year
- The assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses
- Any reliance that is being placed upon third party assurances.

Overall, we are able to provide moderate assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently. In forming our view, we have taken into account that:

- Two of the reviews undertaken this year were advisory (Risk Management and IT Architecture). These reviews do not produce audit opinions however, both were broadly positive with no material concerns identified
- Design of controls: Substantial assurance was provided on two of the five assurance audits and moderate assurance opinions were provided in three areas
- Operational effectiveness of controls: Substantial assurance was provided on two of five assurance audits. A moderate opinion was provided for three reviews
- Substantial assurance was reported in respect of both the design and operational effectiveness of the controls in the key areas of Main Financial Systems (MFS) and Housing Benefits which are both areas of significant importance and activity for the Council

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- Management has responded, in the majority of occasions, positively to reports issued and plans have been developed to address the recommendations raised. We have noted however that there is frequently a delay in management response to audit reports but this is not Council wide and more specific to certain departments
  - Three of the audits (Environmental Health Enforcement, Procurement and Contract Management, and Sustainable Environment) are still in draft and have not yet been finalised. These will be reported to the September Audit Committee, and the opinions given in these areas does not alter our overall audit opinion
  - The Council expect to receive external audit approval of their annual accounts for 2021/22 in November 2022 and therefore these are not yet finalised. In our discussions with external audit and management, we do not have concerns about the financial position of the Council. The Council's General Fund balance as of April 2022, as reported within the Medium Term Financial Strategy to Cabinet in February 2022, was estimated at £4,761,000 which includes S31 Grant for the funding of the 2021/22 business rates reliefs
  - Overall, an opinion of **moderate assurance**, which is our second highest level of assurance, is a positive achievement in another challenging year for local government
  - It should be noted however that our audits are identifying some common themes that do raise concerns. Particularly governance and performance monitoring (please see page 15 for further discussion). In addition, in some service areas we are experiencing instances long waits for management responses to draft reports which is impacting on our ability to deliver the internal audit plan in a timely manner. This has partly been due to staffing issues and it is hoped this will now be resolved now that key posts have been filled. If these issues are not managed, there is potential for the overall assurance level internal audit opinion to weaken next year.

# SUMMARY OF 2021/22 WORK

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Asset Management	0	1	3	Moderate	Moderate	<p>Strategic asset management is the activity that seeks to align the asset base with the organisation’s corporate goals and objectives. It ensures that the land and buildings asset base of an organisation is optimally structured in the best corporate interest of the organisation concerned. Managing property assets requires co-ordination across the entire organisation to be successful and deliver the most effective space.</p> <p>The purpose of this review was to assess whether assets are managed effectively and valued correctly. We also reviewed whether rent reviews assess market value to ensure the Council is getting the most out of its assets.</p> <p>Areas of good practice identified include:</p> <ul style="list-style-type: none"> <li>All sampled assets reviewed had been subject to a valuation by a qualified professional in accordance with the Council’s valuation schedule within the past two years</li> <li>All rental income receipts reviewed were accurate and agreed to the amount due per the lease agreements</li> <li>Repairs and maintenance payments agreed to invoices and purchase orders in all cases sampled confirming that contractors were paid accurately. All contractors were paid in a timely manner upon receipt of an invoice.</li> </ul> <p>Our key findings were:</p> <ul style="list-style-type: none"> <li>Repairs and maintenance to the Council’s assets are not logged meaning that time taken for repairs/maintenance from the original request cannot be tracked</li> <li>Local performance targets are not set and monitored within the Property Services team</li> <li>Rental income was not received within the 30-day credit period for three cases</li> <li>Separation of duties was not present for asset valuations and there were four instances in our sample of 10 asset valuations where the valuation method was not stated on the asset management system.</li> </ul>

Risk Maturity	0	17	1	<p>This was an advisory review against the BDO Risk Maturity Matrix where we assessed three domains at defined and two at aware.</p>		<p>The purpose of the risk maturity assessment is to help ensure an effective risk management culture becomes embedded across the Council, by highlighting areas where processes could be improved.</p> <p>Areas of good practice identified include:</p> <ul style="list-style-type: none"> <li>• The Council has clearly documented its strategic objectives within the Gedling Plan 2020 - 2023 and published this on its website</li> <li>• A Risk Management Strategy and Framework has been documented which clearly defines the Council’s risk appetite</li> <li>• Risk registers are formatted to ensure key drivers are clearly documented</li> <li>• All risks on the register have been assigned a risk owner who is responsible for overseeing the effective management of the risk</li> <li>• An established quarterly review process for the corporate risk register records progress on each risk on a consistent basis each quarter and reports to the SLT.</li> </ul> <p>Our key findings include:</p> <ul style="list-style-type: none"> <li>• Our interviews with heads of service identified that there may not be a full understanding of risk management amongst officers below manager level. There is no risk management training programme for officers or staff</li> <li>• Roles and responsibilities of officers below manager level for managing risks are not clearly defined in the Risk Management Strategy and Framework</li> <li>• Risk recorded on risk registers are not linked to objectives or categorised by risk type</li> <li>• Risks recorded on the risk register are not described to a consistently high standard to provide understanding, cause and consequence of their occurrence</li> <li>• Controls and actions to mitigate risks are not documented sufficiently to provide assurance that the risk is being effectively managed</li> <li>• Reviews of risk registers by the heads of service are not recorded on a consistent basis each quarter</li> </ul>
Housing Benefits	0	0	1	Substantial	Substantial	<p>Housing benefit is a regular council payment to support payment of rent where someone is unemployed, on a low income or claiming benefits. The amount an individual received will depend on their income and circumstances. This review assessed the Council’s procedures for the processing of Housing Benefits claims and evaluated if they were operating as designed.</p> <p>Areas of good practice identified include:</p> <ul style="list-style-type: none"> <li>• Housing Benefits Key Performance Indicators are collated, reported and tracked.</li> <li>• All 20 Housing Benefit Claims sampled were accurately assessed in a fair and timely manner in line with Council procedures</li> </ul>

						<ul style="list-style-type: none"> <li>All private tenants sampled for local housing allowance made benefit payments in a complete, accurate and timely manner in accordance with published rates</li> <li>For all 20 cases sampled where the claimant had reported a change of circumstance to the Council, the change was addressed appropriately following the receipt of adequate supporting documentation, and processed in a timely manner</li> <li>All 10 Housing Benefit claims and 10 Discretionary Housing Benefit payments had sufficient evidence provided to justify payment by the Council</li> <li>The Council appropriately defines what constitutes an overpayment of Housing Benefit within its Overpayment Policy</li> <li>All write-offs sampled were justified and made in accordance with Council Policy</li> <li>A process is in place whereby balances on the Housing Benefit system (Civica) are regularly reconciled to the main financial system (Agresso).</li> </ul> <p>No key findings have been identified but one low finding was raised:</p> <ul style="list-style-type: none"> <li>The Discretionary Housing Payments Policy and the Overpayments Policy are currently out of date although these are currently being reviewed</li> </ul>
IT Architecture	N/A	N/A	N/A	This was an advisory review against the BDO IT Maturity Assessment against which governance was assessed as 'Initial'; development and implementation 'Managed' and oversight and monitoring 'Defined'.		Primarily, the focus of the Council has been to configure the IT platform and provide the methodologies to enable members of staff to be able to work remotely considering the Agile Working project, whilst leading the direction of travel for technology enablement across the organisation. The biggest challenge faced by the Council will be the significant change that will be necessary to move to the ever-changing digital landscape, and to monitor and enforce new ICT and Digital Strategy plans going forward. As we have identified good practices within each of the areas as mentioned in the executive summary (like the management of project plans and having performance management reports) that were assessed as part of this review, we found that the Council is committed to enhance the enterprise architecture. Therefore, we have concluded that overall the maturity of the Council's IT architecture is Managed as to the Council's self-assessment, with opportunities to rapidly progress to Quantitatively managed in the short term and Optimising in the long term.
Sustainable Growth - Employment & Skills	0	1	2	Moderate	Moderate	One of the Gedling Plan's priorities is to 'promote and drive sustainable growth across the borough to meet current and future needs'. To achieve this, one of the key strategic objectives identified by Gedling Borough Council ('the Council') is to drive business growth, workforce development and job opportunities. The purpose of this audit was to provide assurance over the governance arrangements in place to achieve the Council's priority to promote and drive sustainable growth across the borough.

						<p>Areas of good practice identified include:</p> <ul style="list-style-type: none"> <li>In order to continue to provide valuable Employment and Skills services, the Council has started to assess where there may be a future need or surplus of provision</li> <li>The Employment and Skills Group (ESG) is co-ordinated by the Council as a platform for external partners to work better together and share information.</li> </ul> <p>Our key findings include:</p> <ul style="list-style-type: none"> <li>Improvements could be made to governance arrangements, including more regular reporting to the Senior Leadership Team, more detailed action planning and having more measurable key performance indicators</li> <li>The Annual Report includes performance indicators that are not directly related to the employment and skills priority, therefore it is difficult to see progress against the Gedling Plan in this area</li> <li>Success of the Council’s initiatives is not measured regularly with no consistent process in place to review completed work and complete a lessons learned exercise</li> <li>The Employment and Skills Group (ESG) do not have a terms of reference</li> </ul>
Homelessness & Temporary Accommodation	0	4	0	Moderate	Moderate	<p>The Housing Act 1996, Homelessness Act 2002, and the Localism Act 2002 place statutory duties on Local Authorities relating to homelessness. As such the Council is required to ensure that advice and assistance is provided (free of charge) to households who are homeless or threatened with homelessness. Where the authority is satisfied that an applicant is eligible for assistance, unintentionally homeless and falls within a specified priority need group, Local Authorities also have a ‘main homelessness duty’ to ensure that suitable accommodation is available for the applicant and his or her household. Local Authorities are also required to have a strategy for prevention of homelessness which applies to everyone at risk of homelessness (not just those with a priority need), and are encouraged to relieve homelessness and to record the cases of homelessness.</p> <p>The purpose of this audit was to provide assurance over arrangements in place to implement the South Nottinghamshire Homelessness and Routh Sleeping Strategy (the Strategy) and procedures in place to support individuals at risk of homelessness either in the immediate or short-to-medium term.</p> <p>Areas of good practice identified include:</p> <ul style="list-style-type: none"> <li>The Council’s work programmes which relate to preventing homelessness and supporting individuals or households in need of emergency accommodation are clear, appropriately detailed and communicated to appropriate officers</li> </ul>

						<ul style="list-style-type: none"> <li>In discussion with staff we found that staff capacity and training offered is sufficient to support the effective prevention of homelessness</li> <li>The Council had fulfilled their 'statutory main homelessness duty' in all 15 cases examined during this audit</li> <li>The Council undertake quarterly budget monitoring meetings with Finance to review the actual spend against budget, in the prevention of homelessness</li> <li>The Council are undertaking several schemes to support prevention of homelessness</li> </ul> <p>Our key findings include:</p> <ul style="list-style-type: none"> <li>The South Nottinghamshire Homelessness and Rough Sleeping Strategy (2019-2022) does not currently consider the impact of high local housing costs and how this impacts available private landlord housing stock</li> <li>In eight out of 30 cases reviewed, the Council had not regularly reviewed a client's assessment of needs</li> <li>In three out of 10 cases reviewed, clients had spent a significant proportion of time in Bed and Breakfast accommodation</li> <li>The KPIs reported for the prevention of homelessness are not specific to the achievement of the service objectives.</li> </ul>
Main Financial Systems	0	0	3	Substantial	Substantial	<p>Local authorities are required to maintain sufficient controls over their main financial systems to support effective management of resources. Financial controls play an important role in ensuring the accuracy of reporting, eliminating fraud and protecting the organisation's resources, both physical and intangible. These internal control procedures reduce process variation, leading to more predictable outcomes.</p> <p>The purpose of the review was to consider the design and effectiveness of the controls in place around the main financial systems to highlight any areas where the controls could be improved.</p> <p>The following areas of good practice were identified:</p> <ul style="list-style-type: none"> <li>The finance business partner reviews all manual journals on a weekly basis to confirm they have been processed correctly, because journals do not require authorisation on Agresso.</li> <li>Agresso can only be accessed through the Council's server which maintains the security of the system. There was a robust Password Policy and password requirements for officers to access the server</li> <li>We reviewed a sample of five new users to Agresso and confirmed that in each case the user was provided with appropriate access and authorisations based on their role</li> <li>We reviewed a sample of five leavers and confirmed that the users' Agresso access was terminated on the date they left the Council. Additionally, as users</li> </ul>

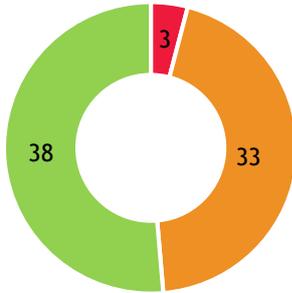
					<p>can only access Agresso via the Council’s server, IT deactivating their desktop access would restrict access to Agresso</p> <ul style="list-style-type: none"> <li>• The Council’s monthly income is reported to the Senior Leadership Team (SLT), although this has recently been amended to quarterly. Additionally, a monthly exception report is generated and shared with finance business partners who are responsible for discussing variances against budgets with budget holders</li> <li>• Variances to budgets are reported quarterly to Cabinet which provides adequate oversight of performance and supports strategic decision making. Furthermore, we reviewed the Q1-Q3 2021/22 financial information from Agresso and identified that the data in the Cabinet reports was accurate for the same time period</li> <li>• The Budget and Closedown Timetable highlights key financial dates and deadlines to support effective forward planning for key finance activities throughout the year.</li> </ul> <p>We did not identify any key findings but did report three low priority findings.</p>
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# DASHBOARD SUMMARY OF 2021/22

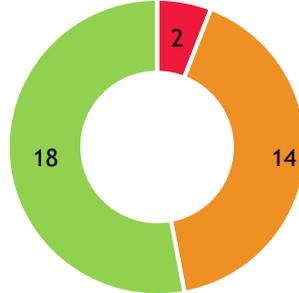
## RECOMMENDATIONS AND ASSURANCE DASHBOARD

### Recommendations

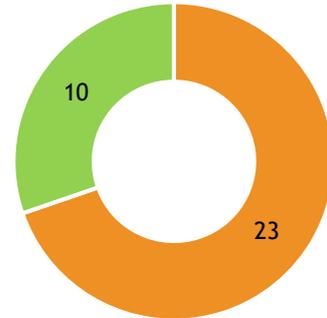
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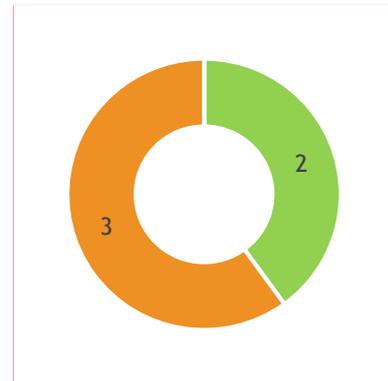
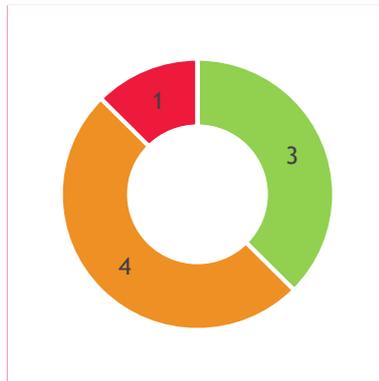
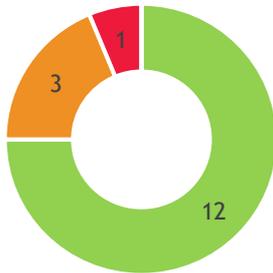


2021/22

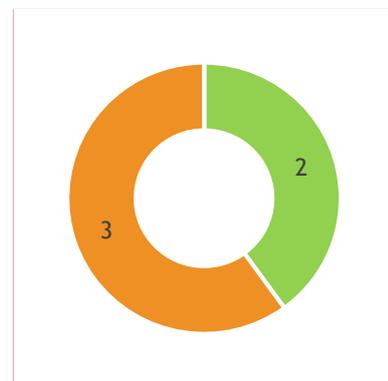
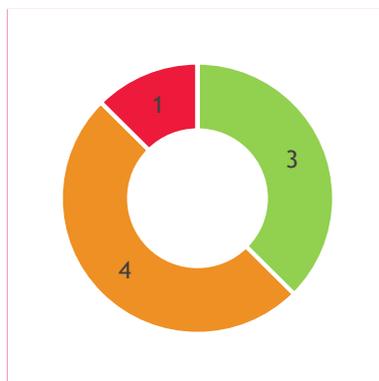
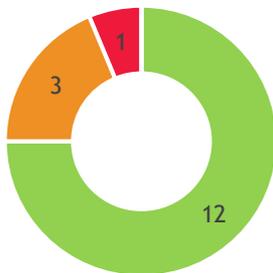


■ High ■ Medium ■ Low

### Control Design



### Operational Effectiveness



■ Substantial ■ Moderate ■ Limited ■ No

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# ADDED VALUE



## USE OF SPECIALISTS

We deployed an IT specialist for the IT architecture review



## RESPONSIVENESS & COMMUNICATION

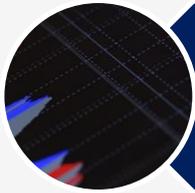
We update the Head of Finance and ICT regularly and will be implementing fortnightly email updates going forward. We also make ourselves available for any discussions

We request and welcome survey feedback from auditees after every audit however, we do note these have not all been received despite reporting to the Audit Committee and we would want to see this improve in the next 12 months



## BENCHMARKING AND BEST PRACTICE

We conducted benchmarking and shared best practice in a number of reviews (asset management, sustainable environment, homelessness & temporary accommodation and environmental health enforcement)



## INNOVATION

We applied our unique risk management and IT architecture assessment tools to generate our advisory reports

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## KEY THEMES



### PEOPLE

Over the year we have experienced a positive culture that welcomes internal audit at the Council, and in the majority of audits there is good engagement and support during our reviews



### SYSTEMS & PROCESSES

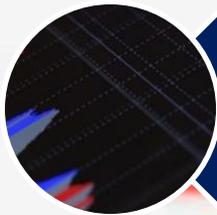
Generally, sound systems and processes are in place. Some issues have been experienced by auditors however in relation to the timeliness of management responses to our draft reports, impacting on both the delivery of our internal audit plan but more importantly, in implementing a timely response to audit findings. This is limited however to specific service areas that have experienced staffing issues over the year. Now that all management positions are filled this should resolve the issue.



### POLICES & PROCEDURES

We noted common governance issues in a number of reviews undertaken during the year, including:

- Policies not being regularly reviewed and updated (Health & Safety; Discretionary Housing Payments and Overpayments; a number of ICT strategies and policies)
- A lack of KPI setting and related performance monitoring governance. Findings on this theme were found within Procurement and Contract Management and the IT Architecture reviews



### GOVERNANCE & FOLLOW UP

We generally receive timely responses from officers when contacting them about follow up actions, however, it should be noted that there are still three actions in progress from 2018/19 and 2019/20 audits undertaken by our predecessors. It was expected that by this stage these actions would have been completed.

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# BACKGROUND TO ANNUAL OPINION

## Introduction

Our role as internal auditors to Gedling Borough Council is to provide an opinion to the Board, through the Audit Committee (AC), on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. Our approach, as set out in the firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our internal audit work for the 12 month period from 1 April 2021 to 31 March 2022 was carried out in accordance with the internal audit plan approved by management and the Audit Committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

## Scope and Approach

### Audit Approach

We have reviewed the control policies and procedures employed by Gedling Borough Council to manage risks in business areas identified by management set out in the 2021-22 Internal Audit Annual Plan approved by the Audit Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with Gedling Borough Council management for each review, by:

- Considering the risks that have been identified by management as being associated with the processes under review
- Reviewing the written policies and procedures and holding discussions with management to identify process controls
- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage
- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place
- Performing compliance tests (where appropriate) to determine that the risk management activities and controls have operated as expected during the period.

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The opinion provided on page 3 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

### **Reporting Mechanisms and Practices**

Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the Audit Committee is to agree reports with management and then present and discuss the matters arising at the Audit Committee meetings.

### **Management actions on our recommendations**

Management have been engaged during the audit process and closing meetings, and review and comment on reports conscientiously. Timeliness in responding to draft reports could be improved, however, as six of the ten review in the plan experienced waits of over 4 weeks for a management response, with the longest being three months.

### **Recommendations follow-up**

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented in a timely manner then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment.

Of the recommendations made in 2021/22:

- Three have been implemented,
- Twenty are in progress
- None are not implemented or missed their deadline.

### **Relationship with external audit**

All our final reports are available to the external auditors through the Audit Committee papers and are available on request. Our files are also available to external audit should they wish to review working papers to place reliance on the work of internal audit.

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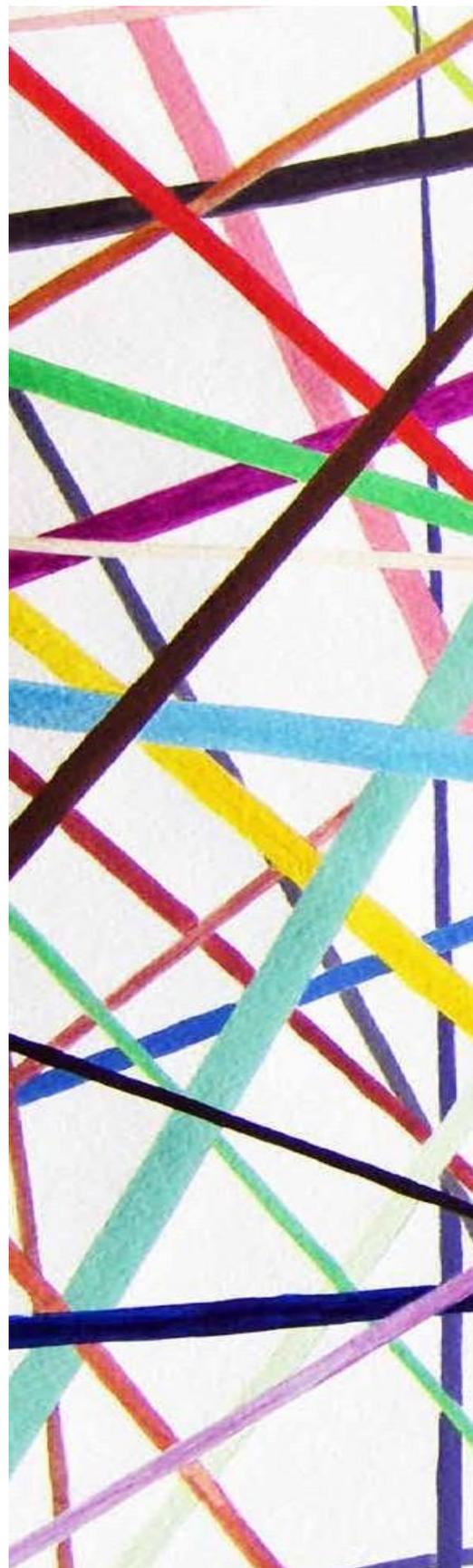
## Report by BDO LLP to Gedling Borough Council

As the internal auditors of Gedling Borough Council we are required to provide the Audit Committee, and the Director with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.

In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides Gedling Borough Council with moderate assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2021-22. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.

In assessing the level of assurance to be given, we have taken into account:

- All internal audits undertaken by BDO LLP during 2021/22
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to Gedling Borough Council
- Any limitations which may have been placed on the scope of internal audit - no restrictions were placed on our work



# KEY PERFORMANCE INDICATORS

Quality Assurance	KPI	RAG Rating
Quality of work	We are compliant with PSIAS and are reviewed by the IIA every five years. Our most recent review was 2021. The IIA assesses BDO against 58 different parameters with the highest score possible to achieve against each parameter is 'generally conformed'. We received this rating in all 58 areas.	●
Responsiveness of service	We have responded to targets and deadlines well. Audits have been pushed back in some instances due to officer availability and although three reports have not been finalised prior to the June AC, all major fieldwork and report writing for the whole 2021/22 internal audit plan has been completed.	●
Consistency and appropriately qualified staff	All auditors are either ACA, ACCA, IIA, CIPFA or CISA qualified, or in training for one of these qualifications. The Assistant Manager is ACA qualified and the Director and Partner are CIPFA-qualified. Whilst there has been a change in key liaison now that the Assistant Manager has returned from maternity leave, there will be consistency moving forward. We have endeavoured to use auditors who have worked with the Council previously in undertaking the 2021/22 audits.	●
Follow up of recommendations	We escalate all non - responses and recommendations with several revised due dates to the Council's Corporate Services Manager (if required). However, there have been no instances where we have had to escalate for responses as auditees have been receptive in responding to both legacy and BDO recommendations.	●

# APPENDIX I

ANNUAL OPINION DEFINITION	
<b>Substantial - Fully meets expectations</b>	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is only a small risk of failure or non-compliance.
<b>Moderate - Significantly meets expectations</b>	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is some risk of failure or non-compliance.
<b>Limited - Partly meets expectations</b>	Our audit work provides assurance that the arrangements will deliver only some of the key objectives and risk management aims of the organisation in the areas under review. There is a significant risk of failure or non-compliance.
<b>No - Does not meet expectations</b>	Our audit work provides little assurance. The arrangements will not deliver the key objectives and risk management aims of the organisation in the areas under review. There is an almost certain risk of failure or non-compliance.

REPORT OPINION SIGNIFICANCE DEFINITION				
Level of Assurance	Design Opinion	Findings	Effectiveness Opinion	Findings
 <b>Substantial</b>	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.
 <b>Moderate</b>	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 noncompliance with some controls that may put some of the system objectives at risk.
 <b>Limited</b>	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.
 <b>No</b>	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 DEFINITION	
<b>High</b>	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.
<b>Medium</b>	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.
<b>Low</b>	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.

**FOR MORE INFORMATION:**

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## **Report to Audit Committee**

**Subject:** Draft Annual Governance Statement 2021/22  
**Date:** 28 June 2022  
**Author:** Director of Corporate Resources and s151 Officer

### **1. Purpose of the Report**

To inform Members of the proposed Annual Governance Statement 2021/22.

#### **Recommendations:**

##### **That Members:**

- note the draft Annual Governance Statement 2021/22 and provide any comments for inclusion in the final version when presented to the Audit Committee in the autumn.

### **2. Background**

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and that it is used economically, efficiently and effectively. In accordance with the Accounts and Audit Regulations the Council conducts an annual review of the effectiveness of the system of internal controls and prepares an Annual Governance Statement (AGS).

### **3. Proposal**

Following the review of the system of internal control it is proposed that the AGS for 2021/22, attached at Appendix 1, is noted and that comments be provided

for inclusion in the final version of the AGS to be presented to the Audit Committee for approval with the Annual Statement of Accounts in the autumn.

#### **4. Financial Implications**

There are no financial implications arising from this report.

#### **5. Legal Implications**

The Annual Governance Statement is a statutory requirement for authorities under the Accounts and Audit Regulations 2015, which requires authorities each financial year to conduct a review of the effectiveness of their systems of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts.

#### **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 – Annual Governance Statement 2021/22.

#### **Statutory Officer Approval**

**Approved by:** Chief Financial Officer  
**Date:** 16/06/22

**Approved by:** Monitoring Officer  
**Date:** 20/06/22

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## ANNUAL GOVERNANCE STATEMENT

### 1. Scope of Responsibility

- 1.1 Gedling Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Gedling Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Gedling Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 Gedling Borough Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016)*. A copy of the authority's local code is on our website at <https://www.gedling.gov.uk/council/aboutus/financeandaccounts/> or can be obtained from the Director of Corporate Resources, Gedling Borough Council, Arnot Hill Park, Arnold, Nottingham. NG5 6LU. This statement explains how Gedling Borough Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

### 2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Gedling Borough Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the statement of accounts.

### 3. The Governance Framework

- 3.1 Gedling Borough Council's Local Code of Corporate Governance recognises that effective governance is achieved through the 7 core principles as identified in the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government 2016 Edition*. These are:

(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

(B) Ensuring openness and comprehensive stakeholder engagement.

*Principles A and B permeate the implementation of principles C-G.*

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## ANNUAL GOVERNANCE STATEMENT

- (C) Defining outcomes in terms of sustainable economic, social and environmental benefits.
- (D) Determining the interventions necessary to optimise the achievement of the intended outcomes.
- (E) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- (F) Managing risks and performance through robust internal control and strong public financial management.
- (G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

3.2 Good governance is a dynamic process and the Council is committed to improving governance on a continuing basis through a process of evaluation and review. The Audit Committee on 16 March 2021 received the report on Gedling's "*Local Code of Corporate Governance 2021/22*" which set out in detail how the Council demonstrates that its governance structures comply with these seven core principles. An end of year review considered by Audit Committee in March 2022 has confirmed that these were in place for the whole of the financial year.

### **4. Governance Arrangements**

- 4.1 There is a governance assurance framework through which the Council satisfies itself as to the effectiveness of its system of internal control. This takes as its starting point the Council's principal statutory objectives and our organisational objectives as set out in the Council's Corporate Plan. From this are identified the key risks to the achievement of the Council's objectives as set out within the Council's corporate, directorate and service risk registers.
- 4.2 The framework identifies the main sources of assurance on the controls in place to manage those risks, and it is the evaluation of those assurances that is the basis of this Annual Governance Statement.
- 4.3 The following documents establish these policies, aims and objectives at a strategic level:
  - The Corporate Plan (The Gedling Plan);
  - The Community Safety Partnership Strategy;
  - The Local Plan;
  - The Annual Budget and Performance Management Framework;
  - The Financial Strategy;
  - The Treasury Management Strategy;
  - The Internal Audit Strategy;
  - The Risk Management Strategy;
  - The Equality and Diversity Policy;
  - The Counter Fraud and Corruption Strategy.
- 4.4 These high level plans are further supported by Service Plans. The Constitution provides clear guidance on how the Council operates, how decisions are made and the procedures and protocols to ensure that decisions and activities are efficient, transparent and accountable to local citizens. Some of these processes are required by law, whilst others are determined by the Council for itself. All of these documents are within the Council's Publication Scheme and available on the Council's website at [www.gedling.gov.uk](http://www.gedling.gov.uk) or can be inspected at the Council's Civic Centre, Arnot Hill Park, Arnold, Nottinghamshire.

## ANNUAL STATEMENT OF ACCOUNTS 2021/22

### ANNUAL GOVERNANCE STATEMENT

- 4.5 Gedling's corporate governance framework defines the roles and responsibilities of the full Council, Cabinet, Scrutiny and officer functions as detailed in the Constitution, and demonstrates how the Council meets defined standards of governance in relation to its policies, aims and objectives.
- 4.6 The Council acknowledges its responsibility to ensure that it operates an effective system of internal control to maintain and operate controls over its resources. This system of internal control can only provide reasonable (not absolute) assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are prevented or would be detected within a reasonable period.
- 4.7 The internal control system includes:
- Annual review of the effectiveness of the Council's Corporate Governance Framework, including signed Assurance Statements from Directors and Heads of Service;
  - An established Counter Fraud and Corruption Strategy, including whistleblowing procedures, communicated to Members, officers and the public, and are available on the Council's website;
  - An established Audit Committee that undertakes the core functions as identified in CIPFA guidance;
  - The Terms of Reference for the Audit Committee which include specific responsibility for reviewing risk management procedures, including the reporting arrangements on strategic risks via a corporate risk scorecard;
  - A Risk Management Strategy that is led by Senior Management for the identification and evaluation of strategic and operational risks, and integrated with the work of Internal Audit to provide a holistic source of assurance aligned to corporate objectives;
  - A comprehensive risk management process that includes the identification of both strategic and operational risks which are held and maintained on corporate and directorate Risk Registers, and subject to regular review;
  - Internal audit reviews are carried out using a risk-based audit approach with the emphasis on key financial systems. This work is undertaken in co-operation with the Council's External Auditor ensuring maximum use of Audit resources, and ensures that professional standards are maintained;
  - Performance Plan monitoring, review and reporting;
  - Facilitation of policy and decision making through the Constitution, Codes of Conduct and the decision-making process, Forward Plan and role of the Scrutiny Committee;
  - The statutory roles of the Council's Head of Paid Service, Monitoring Officer and Chief Financial Officer place a duty on these post-holders to provide robust assurance on governance and ensure compliance with established policies, procedures, laws and regulations;
  - Compliance with established policies, procedures, laws and regulations are monitored through the work of the Finance and Legal staff that are adequately trained and experienced;

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## ANNUAL GOVERNANCE STATEMENT

- Budgetary and performance management reporting to management, Cabinet and Council;
- Formal project management guidelines;
- Business continuity planning processes;
- Adherence to good employment practices;
- Governance training has been provided to all key officers and Members, including induction training, and arrangements are in place for the ongoing continuation of that training.

### 5. **Financial Management**

- 5.1 Ensuring that an effective system of internal financial control is maintained and operated is the responsibility of the Chief Financial Officer.
- 5.2 Internal financial control is based on a framework of management information that includes the Financial Regulations, Contract and Procurement Rules and administration procedures, adequate separation of duties, management supervision, and a system of delegation and accountability.
- 5.3 The Council has produced comprehensive procedure notes/manuals for all key financial systems, and these are regularly reviewed. The controls created by management are evaluated to ensure:
- Council objectives are being achieved;
  - The economic and efficient use of resources;
  - Compliance with policies, procedures, laws, rules and regulations;
  - The safeguarding of Council assets;
  - The integrity and reliability of information and data.
- 5.4 CIPFA issued in 2016 a Statement on “*The Role of the Chief Financial Officer in Local Government*”, and this covered five key areas. The Council can demonstrate how it conforms to these governance requirements as the Chief Financial Officer:
- is a member of the Senior Leadership Team and plays a key role in helping it to develop and implement strategy to resource and deliver the Council’s strategic objectives sustainably and in the public interest;
  - is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and there is alignment with the Council’s overall financial strategy;
  - leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively;
  - leads and directs the finance function, which is resourced to be fit for purpose;
  - is professionally qualified and suitably experienced.
- 5.5 CIPFA issued in 2019 a Statement on the Role of the Head of Internal Audit, and this covered five key principles. The Council can demonstrate how it conforms to these governance requirements as the Head of Internal Audit:

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## ANNUAL GOVERNANCE STATEMENT

- Objectively assesses the adequacy and effectiveness of governance and management of risks, giving an evidence based opinion on all aspects of governance, risk management and internal control;
- champions best practice in governance and comments on responses to emerging risks and proposed developments;
- is Greg Rubins, a Partner of BDO UK, and he (or his BDO representatives) have regular and open engagement across Gedling Borough Council, particularly with the Leadership Team and with the Audit Committee;
- leads and directs an internal audit service that is resourced appropriately, sufficiently and effectively;
- is professionally qualified and suitably experienced.

### 6. Review of Effectiveness

6.1 Gedling Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

6.2 The Council is committed to the maintenance of a system of internal control which:

- Demonstrates openness, accountability and integrity;
- Monitors and reviews compliance with established policies, procedures, laws and regulations and effectiveness against agreed standards and targets;
- Monitors and reviews the effectiveness of the operation of controls that have been put in place;
- Identifies, profiles, controls and monitors all significant strategic and operational risks;
- Ensures that the risk management and control process is monitored for compliance.

### 6.3 Assurance From Executive Managers

In preparing this statement each Head of Service and Director has signed an assurance checklist. The checklist requires assurance that services are operating in compliance with the Council's policies, procedures and practices and with the internal control and governance assurance framework. The checklist asked each Head of Service to draw attention to any matters in respect of which internal controls were not working well and required a positive assurance that apart from those areas which were identified for improvement that the controls within the service had been, and are, working well. Each Head of Service gave a positive assurance with no material risk issues raised. An emerging issue regarding potential non-compliance with legal responsibilities in the area of Public Protection income was noted and is under review and assessment.

### 6.4 Assurance from Internal and External Audit

Two of the key assurance statements the Council receives, and the external auditor's review of Value for Money arrangements and the annual report and opinion of the Head of Internal Audit:

External Auditor (Mazars) Value for Money arrangements:

The Code of Audit Practice issued by the National Audit Office requires External Audit to consider if the Council has proper arrangements for securing economy, efficiency and effectiveness in its use of resources, reporting by exception where they have identified significant weakness in those arrangements.

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

## ANNUAL GOVERNANCE STATEMENT

The external auditor is required to report under three specified criteria:

- Financial Sustainability – How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – How the Council ensures that it makes informed decisions and properly manages its risks;
- Improving economy efficiency and effectiveness – How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

For the year ended 31 March 2021 the External Auditor's commentary on Value for Money arrangements was positive, concluding that there were no identified risks of significant weakness, or any actual significant weakness, in the Council's arrangements.

The Head of Internal Audit (BDO) Annual Report for 2021/22, concluded:

*“Overall, we are able to provide **moderate** assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently. In forming our view, we have taken into account that:*

- Two of the reviews undertaken this year were advisory (Risk Management and IT Architecture). These reviews do not produce audit opinions however, both were broadly positive with no material concerns identified;
- Design of controls: Substantial assurance was provided on two of five assurance audits and moderate assurance opinions were provided in three areas;
- Operational effectiveness of controls: Substantial assurance was provided on two of five assurance audits. A moderate opinion was provided for three reviews;
- Substantial assurance was reported in respect of both the design and operational effectiveness of the controls in the key areas of Main Financial Systems (MFS) and Housing Benefits which are both areas of significant importance and activity for the Council;
- Management has responded, in the majority of occasions, positively to reports issued and plans have been developed to address the recommendations raised. We have noted however that there is frequently a delay in management response to audit reports but this is not Council wide and more specific to certain departments;
- Three of the audits (Environmental Health Enforcement, Procurement and Contract Management, and Sustainable Environment) are still in draft and have not yet been finalised. These will be reported to the September Audit Committee, and the opinions given in these areas does not alter our overall audit opinion;
- The Council expect to receive external audit approval of their annual accounts for 2021/22 in November 2022 and therefore these are not yet finalised. In our discussions with external audit and management, we do not have concerns about the financial position of the Council. The Council's General Fund balance as of April 2022, as reported within the Medium Term Financial Strategy to Cabinet in February 2022, was estimated at £4,761,000 which includes S31 Grant for the funding of the 2021/22 business rates reliefs;
- Overall, an opinion of **moderate assurance**, which is our second highest level of assurance, is a positive achievement in another challenging year for local government

# ANNUAL STATEMENT OF ACCOUNTS 2021/22

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- It should be noted however that our audits are identifying some common themes that do raise concerns. Particularly governance and performance monitoring. In addition, in some service areas we are experiencing instances of long waits for management responses to draft reports which is impacting on our ability to deliver the internal audit plan in a timely manner. This has partly been due to staffing issues and it is hoped this will now be resolved now that key posts have been filled. If these issues are not managed, there is potential for the overall assurance level internal audit opinion to weaken next year”.

The Head of Internal Audit’s Annual Report also details evidence of BDO’s own compliance with the Public Sector Internal Audit Standards against which they are externally assessed every five years. This provides assurance that the internal audit provision is effective.

- 6.5 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined in section 7 below.

### 7. **Significant Governance Issues**

- 7.1 The control framework described above facilitates the identification of any areas of the Council’s activities where there are significant weakness in the financial controls, governance arrangements of the management of risk.

As detailed in paragraph 6 above the annual review of the effectiveness has been completed and has not highlighted any significant control or risk management concerns. The Head of Internal Audit concluded in the Annual Internal Audit Opinion that the organisation has an adequate and effective framework for risk management, governance and internal control.

### 7.2 Significant Issues Arising 2021/22

#### 7.2.1 Covid-19 Pandemic

The first impact of Covid-19 on our governance arrangements emerged in March 2020, had a significant impact throughout 2020/21 and continued into 2021/22 with the emergence of the Omicron variant. Whilst the direct impact of Covid-19 is currently lessening in 2022/23 it continues to impact on service delivery with a backlog of work to deliver the Gedling Plan still outstanding.

The key governance issues arising from the pandemic have been effectively addressed as demonstrated through regular reports to Cabinet on the Council’s response to the pandemic and the impact on the Gedling Plan.

The key governance issues arising and actions to address these are summarised below:

#### Council Decision Making and Meetings

During 2020/21 when setting up the Incident Management Team structure in response to the Covid-19 pandemic, it was clear at an early stage that rapid decisions would need to be made to close facilities and suspend services in response to changes in government policy or staffing issues. In order to ensure established governance arrangements were maintained and Constitutional and legislative requirements complied with, an emergency decision making process was adopted.

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Whilst the Constitution contains a delegation to the Chief Executive to make urgent decisions, given the magnitude of the potential impact of those decisions both in relation to the community and the Council's finances and to ensure transparency in decision-making, it was agreed that the Leader would make all Covid-19 response related decisions after consideration of a written report. Decisions were published on the Council's website in the usual way. These arrangements continued in 2021/22 proportionate to the ongoing Covid-related impacts.

Previously the Council had not had the power to hold meetings remotely and therefore when Covid-19 restrictions were imposed in March 2020, Council, Cabinet and Committee meetings had to be cancelled until further notice. The Procedural Rules included in the Constitution apply to remote meetings in the same way as they do for other meetings of the council; however additional Rules for holding remote meetings, were agreed by the Chief Executive in consultation with the Mayor on 10 May 2020. Virtual meetings recommenced in June 2020 and continued until the High Court ruled that virtual council meetings could not lawfully take place after 6 May 2021 and suitable arrangements were put in place to ensure a safe return in accordance with social distancing requirements with appropriate attendance levels to ensure effective decision making continues.

In conclusion the arrangements for decision making have remained effective following the onset of Covid-19.

### Impact on Service Delivery

At the onset of the pandemic it was quickly recognised that effective Business Continuity Planning was vital to ensuring the continued operation of key services. A new Business Continuity Policy and Business Continuity Impact Assessment guidance was formally approved by Cabinet and a full suite of Business Continuity Plans covering all business continuity risks was completed for the whole organisation during 2020/21. This represented an improvement in the governance arrangements. Covid specific risk registers were completed and reviewed throughout 2020/21, continuing in 2021/22.

Covid related health and safety risk assessments were implemented across the organisation to support changes to service provision throughout all stages of the pandemic including for the covid secure reoccupation of buildings.

Enabling home working involved a rapid deployment of agile working guidance and equipment and ensured there was no compromise to IT security or the safety of staff. Investment in IT continued in 2021/22 to ensure all office staff were able to work in fully flexible way and be responsive to emerging risks as they arise.

Formal emergency planning arrangements including command structures and communication arrangements were in place throughout 2020/21 and 2021/22 providing sound controls to support the effective response to the rapidly changing circumstances through the various stages of lockdown. The command structures were finally stood down in March 2022 following the success of the vaccine programme in reducing the impact of the virus in the community. A review of Covid-19 response will be completed in 2022/23 by the Strategic Resilience Group to ensure lessons learned feed into future emergency planning arrangements.

### Financial Impact

The Covid-19 pandemic had a material impact on the finances of the Council during 2020/21 which continued in 2021/22 with the total direct cost to the Council not funded by Government being in the region of £1.1m. Some of the direct costs are expected to continue in the medium term.

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A revised Medium Term Financial Plan incorporating the ongoing impact of Covid-19 related risks and assumptions was presented to Council in March 2022 together with the revised Gedling Plan ensuring available resources are effectively aligned to priorities and the delivery of sustainable outcomes. This included a review of the current efficiency programme and the approval of a new efficiency programme for delivery over 2022/23 to 2024/25 to secure a sustainable financial position and value for money. The successful delivery of the efficiency programme is a key challenge for the Council and is closely monitored to identify any emerging risks at the earliest opportunity.

### Future Service Impacts

The Council's Covid-19 Reset Strategy was considered by Cabinet on 18 June 2020. The Strategy recognised the impact on the delivery of the Gedling Plan with the need for a review to ensure that it remains fit for purpose and incorporates any new work streams required as a result of Covid-19 impacts, ensuring the Council does not return to 'normal' but strives to 'build back better'.

The Gedling Plan is a key aspect of the Council's governance framework and essential in defining sustainable outcomes in terms of economic, social and environmental benefits and has now been fully reviewed and approved by Council both in March 2021 and March 2022 ensuring actions to address the ongoing impacts of Covid-19 are embedded within it, including actions that have been deferred due to reduced capacity arising from the required Covid response work.

The planned review of the Risk Management Strategy was deferred due to the impact of the Covid-19 response work and will now be completed in 2022/23. Risk Management processes continued to be effective throughout 2021/22 with regular updates of the Risk Management Scorecard being considered by Audit Committee and Overview and Scrutiny Committee. Other deferred actions related specifically to governance arrangements are noted in the Action Plan below.

### 7.2.2 Management Arrangements and Workforce Capacity

The Council approved a review of the senior management structure as part of its efficiency programme with a phased implementation timescale recognising the need to balance the requirements of delivering efficiencies with appropriate management capacity to ensure effective governance and the continued delivery of strategic objectives. Phases 1 and 2 were delivered by the end 2020/21 and phase 3 commenced in 2021/22, with the remaining services to be reviewed early in 2022/23.

It was recognised at the outset that new ways of working will be required to ensure successful delivery and there is potential for some capacity reductions to arise during this period of change which may impact on governance compliance and service planning which will require appropriate prioritisation to ensure Gedling Plan delivery is aligned to resources and to maintain staff morale.

As detailed in paragraph 7.2.1 and 7.2.3, the risk to workforce capacity is further exacerbated by the impact of Covid-19 pandemic and resulting backlogs and the emerging cost of living of living crisis.

The Head of Internal Audit's opinion detailed at paragraph 6.4 identifies a concern about the timeliness of management responses to draft reports and the implementation of agreed audit actions. Staff capacity issues are acknowledged as a potential reason for this arising which need to be addressed.

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### 7.2.3 Economic Downturn and Cost of Living Crisis

The aftermath of the Covid-19 pandemic and post-Brexit supply side shortages and labour shortages, together with Russia's invasion of Ukraine and subsequent Western sanctions, have created a 'perfect storm' culminating in an adverse impact on the economy, dampening growth with inflation rising significantly above the Bank of England target levels which is now expected to remain elevated well into 2023.

The impact of economic downturn and resulting so called 'cost of living crisis' emerged towards the end of 2021/22. The Annual Governance Statement assesses governance in place during 2021/22 so for the majority of the year our governance was unaffected by the impact of cost of living crisis. Whilst the impact at the end of the 2021/22 financial year was not material, its ongoing impact will be significant and raises issues that will need to be addressed in 2022/23.

Key potential risk issues will be monitored via the established Risk Management process and include:

- a direct impact on service delivery and workforce capacity arising from increased service demand pressures and new initiatives to support vulnerable households, for example, implementation of the government's Energy Bills Rebate Scheme and the Council's own Council Tax Hardship Relief Scheme;
- Interrupted supply chains directly affecting service delivery;
- Budget pressures due to rising inflation for example pay pressures, fuel and utilities, reduced fees and charges income.

A mid-year review of the Medium Term Financial Plan will be required to consider the impact of the economic downturn on the financial sustainability of the Council. Key risk issues will be considered, including the impact of rising prices e.g. pay pressures, fuel and utilities, the potential adverse supply impacts on service delivery, and increasing service demand pressure from vulnerable households. The review will form an important aspect of financial management to inform the 2022/23 budget process to secure a sustainable financial position and ensure the successful delivery of the Gedling Plan continues to be supported.

### 7.2.4 The CIPFA Financial Management Code

CIPFA has introduced the Financial Management Code (FM Code) 2019, which sets out for the first time, the standards of financial management for local authorities. Adoption of the Code was required from 1 April 2021 and was included the Annual Governance Statement (AGS) Action Plan for 2021/22. A self-assessment providing assurance that the standards of the FM Code are being met was considered by Audit Committee in September 2021 and some improvement actions were noted.

The implementation of actions is progressing well with the majority being implemented and outstanding actions are carried forward in the AGS Action Plan for delivery in 2022/23 as detailed in the paragraphs below, including for example, implementation of the Officer Declarations of Interest process.

It should be noted that compliance with the FM Code is an ongoing requirement and new actions to both maintain and improve standards will be a normal feature of securing effective financial management and continuous improvement.

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### 7.3 Action Plans

#### 7.3.1 Review of Progress in 2021/22

The 2020/21 Annual Governance Statement (AGS) identified the following control or risk issues and some issues deferred from the previous year which whilst not significant were included, through its proactive and holistic approach to Governance. The progress is detailed below:

2021/22 AGS Actions:

- Officer Training – *A suitable training programme for staff will need to be developed following the outcome of the Constitution review, which would include training in financial management.*

*The training programme commenced in 2019/20, covering Local Government Governance Basics; Reporting and Decision Making; Contract Standing Orders and Procurement; Contracts Risk Management; Members Code of Conduct. Further training was delivered during 2021/22 including Fraud Awareness Training. Due to the ongoing impact of Covid-19 response work, the adoption of the Constitution was completed in March 2022 and associated training will now take place in 2022/23 to include Financial Regulations, Contracts and Procurement Rules and the development of Fees and Charges.*

**Updated Action: Chief Financial Officer and Monitoring Officer – March 2023.**

- Officer Declaration of Interests – *The review of the Counter Fraud and Corruption Strategy identified improvements to the process for officer declaration of interests that was due to be implemented in 2021/22 but has been deferred due to the impact of the Covid-19 response work.*

**Updated Action: Chief Financial Officer and Monitoring Officer – March 2023**

- Brexit - *The United Kingdom left the European Union on 31 January 2020 and entered a transition period which will last until 31 December 2020 and new rules will come into place from 1 January 2021. There is considerable uncertainty regarding the future rules and any impact on the economy and how this might impact on funding levels and demands for public services.*

**Watching brief: Senior Leadership Management Team. Actions to ensure compliance with the changes in legislation have been implemented. Monitoring throughout 2021/22 was completed and will be ongoing in 2022/23.**

- Financial Management Code – *Completion of a self-assessment demonstrating compliance with the Financial Management Code.*

**Action: Chief Financial Officer/Senior Leadership Team – Completed September 2021**

- Sustainable Medium Term Financial Plan (MTFP) – *Review and monitoring of MTFP risks and assumptions to determine if further action is required to secure value for money and a sustainable position: the delivery of the efficiency programme and performance of commercial operations; review of financial settlement and funding streams; the ongoing impact of Covid-19 including the emerging risks of an economic downturn.*

**Action: Chief Financial Officer/Senior Leadership Team – Completed February 2022**

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- Workforce Capacity – Phase 2 of the senior management restructure was completed in 2020/21 reducing the number of senior roles to deliver efficiency savings. A further phase of restructuring is due to be completed in 2021/22 to deliver further efficiencies. It is recognised that new ways of working will be required and there is potential for some capacity reductions to arise during this period of change and service planning will require appropriate prioritisation to ensure Gedling Plan delivery and to maintain staff morale.

#### **Watching brief: Senior Leadership Management Team completed**

- Constitution Review – The revised Constitution to be finalised and adopted by Council and training to be delivered.

#### **Action: Senior Leadership Team/Monitoring Officer – Completed March 2022**

- Equality and Diversity Policy and Action Plan – A revised Equality and Diversity Policy and an Equality Framework and Action Plan was approved by Cabinet for public consultation in 2020/21. Following consultation, the final policy and action plan will be adopted with implementation to commence during 2021/22.

#### **Action: Director of Corporate Resources – Completed October 2021**

- Risk Management Strategy and Training – A review of the Risk Management Strategy and training to be delivered to officers and key Members was planned for 2021/22 but has been delayed due to capacity issues arising from the ongoing impact of covid and implementation of the senior management restructure will now be completed in 2022/23.

#### **Updated Action: Director of Corporate Resources – March 2023**

- Emerging Government Legislation – A review of emerging key legislation to identify the impact on service delivery and resource requirements, including the Environment Act and Planning Regulations.

#### **Watching brief: Senior Leadership Management Team completed; ongoing in 2022/23**

#### 7.3.2 Actions 2022/23

Based on our review of the Governance Framework, the following control and risk issues will be addressed in 2022/23. Whilst not all actions represent significant issues, all planned governance actions are included to provide a proactive and holistic approach to Governance:

- Sustainable Medium Term Financial Plan – A mid-year review of the Medium Term Financial Plan will be presented to Cabinet to consider the emerging risk of the economic downturn, increasing inflationary pressures and supply chain issues arising from the aftermath of the Covid-19 pandemic and Brexit, and the war in Ukraine. To consider the impact of rising prices, including pay pressures, fuel and utilities, the potential adverse supply impacts on service delivery, and increasing service demand pressures from vulnerable households. A budget consultation will be completed during the summer to inform the development of the future Gedling Plan 2023-27 to ensure service priorities are aligned to the resources available.

#### **Action: Chief Financial Officer/Senior Leadership Team – Autumn**

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- Workforce Capacity – To monitor the emerging risk of restrictions on workforce capacity to the delivery of the Gedling Plan and to governance compliance. Prioritise Gedling Plan actions to ensure alignment with resources available and to maintain staff morale. Workforce capacity is being impacted by: Covid-19 service impacts and the resulting backlog of service plan actions; implementation of the management restructure to deliver required efficiency savings requiring new ways of working to ensure success resulting in capacity reductions during this period of change; and the cost of living crisis increasing demands to support for vulnerable households.

**Action: Senior Leadership Management Team - Ongoing**

- Emergency Planning Arrangements and Business Continuity Plans – A review of emergency planning arrangements to incorporate lessons learned from the Covid-19 pandemic response and an update of all Business Continuity Plans to ensure they are fit for purpose for all business continuity risks. To include emergency planning training, in particular related to cyber risk.

**Action: Head of Governance and Customer Services - March 2023**

- Audit Committees in Local Authorities – To review and adopt: the principles of CIPFA's Position Statement: Audit Committees in Local Authorities, which was published early in 2022/23 and aims to ensure that effective audit committee arrangements are in place in order to meet statutory responsibilities; the latest recommendations regarding independent audit committee members being proposed by Government following the Redmond Review and the introduction of the new Audit Reporting and Governance Authority. To determine and deliver appropriate training for committee members.

**Action: Chief Financial Officer – March 2023**

- Financial Management Code Compliance Update – Ongoing monitoring of compliance with the Financial Management Code and implementation of planned actions.

**Action: Chief Financial Officer – March 2023**

- Internal Audit Actions Implementation – to implement system improvements to support the monitoring and timely implementation of internal audit actions by management.

**Action: Head of Finance and ICT - September 2022**

- 7.4 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Mike Hill  
Chief Executive

Date:

John Clarke  
Council Leader

Date:

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## Report to Audit Committee

**Subject:** Corporate Risk Management Scorecard Quarter 4 2021/22

**Date:** 28 June 2022

**Author:** Head of Finance and ICT

### 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 March 2022 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 15 March 2022 which provided the 2021/22 quarter 3 position.

Members are fully aware of the risks arising from the national outbreak of the coronavirus, Covid-19 which have been fully reported to all Members of the Council including the budget and performance reports, the Annual Governance Statement and previous Risk Management Scorecard reports to this Committee. The impact is ongoing and, as at quarter 4, has been updated in the risk register.

### **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 4, Period Ending 31 March 2022

Appendix 2 - Risk Management Scoring Matrix

**Statutory Officer Approval**

**Approved by: Chief Financial Officer**  
**Date: June 2022**

**Approved by: Monitoring Officer**  
**Date: June 2022**

## Appendix 1 - Corporate Risk Register Monitoring – Quarter 4 – Period Ending 31 March 2022

1	<p><b>FAILURE TO PREVENT BUDGET OVERHEATING ONCE THE BUDGET HAS BEEN SET</b></p> <p><b>Owner: Alison Ball</b></p> <p><b>Current Risk and Direction of Travel: GREEN – NO CHANGE to current risk level (maintained at B1 low likelihood, negligible impact)</b></p> <p><b>Definition:</b></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><b>Key Risk Driver:</b> Financial Impact</p> <p><b>Raw Risk Value:</b> Serious - £50k - £500k</p> <p><b>Corporate Risk Register Outstanding Controls:</b></p> <p><u>Actions completed during quarter 4:</u></p> <ul style="list-style-type: none"><li>• The Quarter 3 budget monitoring position was reported to Cabinet on 27 January 2022 and forecast an underspend of £56.5K for the year following anticipated overspends of £22.7K and £58.8K reported at quarter 1 and Quarter 2.</li></ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"><li>• Present 2021/22 revenue and capital outturns (including carry forward requests) to Cabinet on 6 July 2022 along with Treasury Activity 2021/22 report.</li><li>• Capture details of impact of increasing inflation and interest rates upon Council expenditure and income and reflect significant items in the 2022/23 Quarter 1 Budget monitoring report to Cabinet on 4 August 2022.</li></ul>
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2

## **FAILURE TO MAINTAIN FINANCIAL INTEGRITY**

**Owner: Alison Ball**

**Current Risk and Direction of Travel: RED – NO CHANGE to current risk level (maintained at E4 very high likelihood/major impact £500k to £1m).**

**Definition:**

*Affecting the ability of the Council to meet its financial commitments in the longer term.*

**Key Risk Driver:** Financial Impact

**Raw Risk Value:** Critical - £1m+

**Corporate Risk Register Outstanding Controls:**

The Council's financial position remains extremely challenging and future funding remains uncertain.

Actions completed during quarter4:

- Efficiency proposals 2022/23 to 2024/25 approved by Cabinet on 17 February 2022. A target of £0.545m was set with £0.337m in 2022/23, £0.108m in 2023/34 and £0.100m in 2024/25.
- An updated Medium Term Financial Plan was included in the General Fund Revenue Budget 2022/23 report presented to Cabinet on 17 February 2022 projecting a General Fund balance of just over £1.0m at 31 March 2024. This included further efficiencies of £100,000 in 2023/24 and £900,000 in 2024/25 that it is anticipated will be required.
- The main financial risk issues as detailed in the 2021/22 quarter 3 report continue to be relevant and the current assessed risk level is likely to continue until progress with the delivery of the efficiency programme is evident and secured and there is more certainty over the future of local government funding.

Actions outstanding:

- Update the Medium Term Financial Plan following production of the 2021/22 final accounts and 2022/23 Quarter 1 budget monitoring to reflect emerging inflationary pressures arising from issues such as the aftermath of the Covid-19 pandemic, the war in Ukraine and the United Kingdom's exit from the European Union..
- Development of a Procurement and Contract Management Strategy to ensure value for money in purchasing.

3

**FAILURE TO PROTECT STAFF, INCLUDING HEALTH & SAFETY ISSUES**

**Owner: Alison Ball**

**Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at B3 low likelihood/serious impact)**

**Definition:**

*Ineffective systems, processes and equipment that can present danger to individuals or groups of employees.*

**Key Risk Driver:** Health & Safety

**Raw Risk Value:** Major – Loss of life/major illness

**Corporate Risk Register Outstanding Controls:**

The 2022/23 programme of inspections will now be undertaken.

Actions completed during quarter 4:

- Health and Safety team from Bolsover DC providing health and safety support on an interim basis introduced to Gedling employees.

Actions outstanding:

- Prepare a new Civic Centre emergency evacuation procedure.
- Evaluate interim health and safety arrangements with a view to implementing permanent solution

4

**FAILURE TO RECRUIT AND RETAIN STAFF, AND MAINTAINING INTERNAL CAPACITY**

**Owner: Alison Ball (David Archer)**

**Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at C2 significant likelihood/minor impact).**

**Definition:**

*Associated with the particular nature of each profession, internal protocols, managerial abilities, and sickness levels.*

**Key Risk Driver:** Service Provision

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

**Corporate Risk Register Outstanding Controls:**

There is a risk that a failure to recruit to the post of Transport Manager could result in the Council not fulfilling the requirement to have a vehicle operators licence. This has been mitigated by a successful recruitment process with a new Transport Manager due to join shortly.

Actions completed during quarter 4:

- The rollout of IT equipment required to facilitate full agile working has been completed.
- New Corporate Director (Environment, Communities and Leisure) and Head of Regeneration and Welfare have joined the Council.

Actions outstanding:

- Maintain a watching brief on increasing market pay rates that may make it more difficult to attract and retain staff.
- Assess and respond to recruitment difficulties due to staff shortages in key areas.

5

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

**Owner: Alison Ball (Paul Adcock)**

**Current Risk and Direction of Travel: AMBER – NO CHANGE in current risk level (maintained at C3 significant likelihood/serious impact).**

**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 quarter 4:

- External third party review of the ICT service to evaluate current service provision and ensure service is adequately resourced (in both numbers and expertise) to meet current and anticipated future demands is now underway with baseline assessment almost complete..
- Budget from vacant IT Technical Officer post now being used for additional overtime, contractors and agency staff to address key work demands.

Actions outstanding:

- Produce a new IT Strategy following the conclusion of the ICT service review.
- Produce a new Digital Strategy (replacing the now expired 2016-2019 version) after the ICT service review has been completed that aligns with the current and future Gedling Plan.
- Consider proposals from AON (the Council's insurance brokers) to strengthen the Council's cyber security arrangements.
- Finalise the cyber risk register as recommended following the internal audit reported to Audit Committee in March 2021.

- Review and update the Information Security Policy.
- Circulate details to Members of cyber security training being provided in May and June 2022 by East Midlands Councils.
- Rollout cyber security training to staff.

6

**FAILURE TO PROTECT & UTILISE PHYSICAL ASSETS**

**Owner: Mike Hill (Head of Regeneration and Welfare)**

**Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at C3 significant likelihood/serious impact).**

**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.*

**Key Risk Driver:** Health & Safety

**Raw Risk Value:** Major – Loss of life / major illness

**Corporate Risk Register Outstanding Controls:**

Actions completed during quarter 4:

- The general condition surveys of Council Buildings and Suitability and Sufficiency surveys are ongoing.

Actions outstanding:

- Complete the asset condition and suitability surveys.
- Produce a new Asset Management Plan.
- Assess supply chain issues to ensure that the Council has sufficient stock of items required to ensure that its assets are properly maintained and continue to operate as intended.
- Assess options for permanent solution to Mapperley Rail Tunnel access issues.

7

## **FAILURE TO REACT TO CHANGES IN LEGISLATION**

**Owner: Fran Whyley**

**Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at C3 significant likelihood/serious impact).**

**Definition:**

*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.*

**Key Risk Driver:** Financial Impact

**Raw Risk Value:** Major - £500k - £1m

**Corporate Risk Register Outstanding Controls:**

Actions completed during quarter 4:

- The Brazel case concerning annual leave and associated payments for irregular (eg. casual) workers still awaits a decision from the Supreme Court. No other local district councils have, as yet, reviewed their methods of calculating such entitlements. All have confirmed that they await the Supreme Court decision before they plan to reconsider due to the scale of the calculation task (one-off and ongoing).
- Interim health and safety support now being provided by Bolsover DC team.

Actions outstanding:

- Address any implications from the Supreme Court decision in the Brazel case. This may have consequences for all employers nationally.
- Assess costs and other implications of measures introduced by the Government in response to the Environment Act.

8

**FAILURE OF CONTRACTORS OR PARTNERSHIP ARRANGEMENTS – CONTRACTUAL BREACHES**

**Owner: Alison Ball**

**Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at B3 low likelihood/serious impact).**

**Definition:**

*Associated with the failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification.*

**Key Risk Driver:** Financial Impact

**Raw Risk Value:** Serious - £50k - £500k

**Corporate Risk Register Outstanding Controls:**

Actions completed during quarter 4:

- Guidance issued on Contracts and Procurement Rules following approval of updated Constitution.

Actions outstanding:

- Implementation of the automated contracts register in the procurement system. The system provider is to provide training. A manual version of the contracts register is in place and therefore there are no compliance issues at present.
- Review indemnity clauses in terms and conditions for new contracts to ensure that they reflect the Council's risk appetite.

9

**INABILITY TO DEFEND ONE-OFF CHALLENGES TO A COUNCIL DECISION OR NEW COMPENSATION TREND EMERGES**

**Owner:** Fran Whyley

**Current Risk and Direction of Travel:** GREEN – NO CHANGE to current risk level (maintained at A3 very low likelihood/serious impact).

**Definition:**

*Councils are increasingly vulnerable to judicial reviews and new compensation claims.*

**Key Risk Driver:** Financial Impact

**Raw Risk Value:** Serious - £50k - £500k

**Corporate Risk Register Outstanding Controls:**

Whilst there is no change in risk level, there does seem to be an increase in complaints and threats of challenge which are being effectively managed but will be kept under review to ensure sufficient capacity is available.

Actions completed during quarter 4:

- No outstanding actions

Actions outstanding:

There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk (however a link to an action outstanding corporate risk 7 is recognised i.e. the Supreme Court case considering annual leave and associated payment for irregular workers)

10	<p><b>FAILURE TO MAINTAIN SERVICE STANDARDS, CUSTOMER SATISFACTION, AND/OR MEET CUSTOMER EXPECTATIONS</b></p> <p><b>Owner: Alison Ball (Fran Whyley)</b></p> <p><b>Current Risk and Direction of Travel: GREEN – IMPROVEMENT in current risk level from B2 (low likelihood, minor impact) to B1 (low likelihood, negligible impact).</b></p> <p><b>Definition:</b></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><b>Key Risk Driver:</b> Reputation</p> <p><b>Raw Risk Value:</b> Major – Adverse national publicity</p> <p><b>Corporate Risk Register Outstanding Controls:</b></p> <p><u>Actions completed during quarter 4:</u></p> <ul style="list-style-type: none"> <li>• Monitoring of complaints in respect of the ongoing impact of Covid-19 on service levels no longer required following the lifting of restrictions.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• Monitor and respond as necessary to impact upon the Council of staffing shortages in key areas.</li> </ul>
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11	<p><b>FAILURE TO PREVENT DAMAGE TO THE COUNCIL'S REPUTATION</b></p> <p><b>Owner: Mike Hill</b></p> <p><b>Current Risk and Direction of Travel: GREEN – NO CHANGE to current risk level (maintained at B2 low likelihood/minor impact).</b></p> <p><b>Definition:</b></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><b>Key Risk Driver:</b> Reputation</p> <p><b>Raw Risk Value:</b> Major – Adverse national publicity</p> <p><b>Corporate Risk Register Outstanding Controls:</b></p> <p><u>Actions completed during quarter 4:</u></p> <ul style="list-style-type: none"><li>• No outstanding actions.</li></ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"><li>• There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.</li></ul>
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12	<p><b>FAILURE TO REACT TO AN ENVIRONMENTAL INCIDENT OR MALICIOUS ACT</b></p> <p><b>Owner: Mike Hill</b></p> <p><b>Current Risk and Direction of Travel: GREEN – NO CHANGE to current risk level (maintained at B1 low likelihood, negligible impact).</b></p> <p><b>Definition:</b></p> <p><i>Council reaction to a natural occurrence e.g. widespread flooding, or other events such as fire and explosions.</i></p> <p><b>Key Risk Driver:</b> Reputation</p> <p><b>Raw Risk Value:</b> Major – Adverse national publicity</p> <p><b>Corporate Risk Register Outstanding Controls:</b></p> <p>Climate change is expected to require businesses (including councils) and individuals to adapt their behaviour to reduce the potential of extreme weather events and other risks to public health.</p> <p><u>Actions completed during quarter 4:</u></p> <ul style="list-style-type: none"><li>• No actions completed.</li></ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"><li>• Deliver the Carbon Management Strategy Action Plan.</li></ul>
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13	<p><b>FAILURE TO REACT TO SOCIO-ECONOMIC TRENDS</b></p> <p><b>Owner: Mike Hill</b></p> <p><b>Current Risk and Direction of Travel: GREEN - NO CHANGE to current risk level (maintained at B2 low likelihood/minor impact).</b></p> <p><b>Definition:</b></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><b>Key Risk Driver:</b> Reputation</p> <p><b>Raw Risk Value:</b> Serious– Adverse regional publicity</p> <p><b>Corporate Risk Register Outstanding Controls:</b></p> <p><u>Actions completed during quarter 4:</u></p> <ul style="list-style-type: none"> <li>• No actions completed.</li> </ul> <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>
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**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 has been 1 high risk recommendation reported to date during 2021/22, which was included in the Commercialisation audit which was reported to Audit Committee in the Internal Audit Progress Report on 29 June 2021. The recommendation was considered further at the Audit Committee meeting on 14 December 2021.

## APPENDIX 2 - RISK MANAGEMENT SCORING MATRIX

<b>Likelihood</b>	Very High	E				2	
	High	D					
	Significant	C		4	5, 6, 7		
	Low	B	1,10,12	11,13	3,8		
	Very Low	A			9		
			1	2	3	4	5
			Negligible	Minor	Serious	Major	Critical
			<b>Impact</b>				

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