

Agenda

Audit Committee

Date: **Tuesday 14 March 2023**

Time: **5.30 pm**

Place: **Council Chamber**

For any further information please contact:

Democratic Services

committees@gedling.gov.uk

0115 901 3844

Audit Committee

Membership

Chair	Councillor Bob Collis
Vice-Chair	Councillor Meredith Lawrence
	Councillor Liz Clunie
	Councillor Andrew Ellwood
	Councillor Kathryn Fox
	Councillor Helen Greensmith
	Councillor Lynda Pearson

WEBCASTING NOTICE

Please note that this meeting will be live streamed on the Council's YouTube channel and via the website (www.gedling.gov.uk). At the start of the meeting the Chair will confirm if all or part of the meeting is being broadcast.

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

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

AGENDA

Page

- 1 **Apologies for Absence and Substitutions.**
- 2 **To approve, as a correct record, the minutes of the meeting held on 17 January 2023** 5 - 6
- 3 **Declaration of Interests.**
- 4 **Local Code of Corporate Governance for 2023** 7 - 28
- 5 **Accounting Policies 2022/23** 29 - 52
To present the proposed Accounting Policies to be applied in the production of the 2022/23 financial statements, for approval.
- 6 **Internal Audit Annual Plan 2023/24** 53 - 74
To detail the three-year Internal Audit Plan for 2023/24 – 2025/26 for Gedling Borough Council.
- 7 **Internal Audit Progress Report** 75 - 130
To summarise the outcome of the internal audit activity completed by the BDO Internal Audit Team for the period January 2023 to March 2023.
- 8 **Corporate Risk Management Scorecard Quarter 3 2022/23** 131 - 147
To update members of the Audit Committee on the current level of assurance that can be provided against each corporate risk.
- 9 **Mazars External Audit 2021/22 Progress Report** 149 - 165
To update Members on the progress with the 2021/22 external audit work by Mazars (the Council's external auditor).
- 10 **Internal Audit Report - Cyber Security** 167 - 191
To present the finalised Cyber Security Internal Audit Report for consideration
- 11 **Any other item which the Chair considers urgent.**

This page is intentionally left blank

MINUTES AUDIT COMMITTEE

Tuesday 17 January 2023

Councillor Bob Collis (Chair)

Councillor Meredith Lawrence
Councillor Sandra Barnes
Councillor Liz Clunie

Councillor Andrew Ellwood
Councillor Helen Greensmith
Councillor Lynda Pearson

Absent: Councillor Kathryn Fox

Officers in Attendance: P Adcock, A Ball and C Goodall

Guests in Attendance: C Thomas (BDO)

7 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Fox. Councillor Sandra Barnes attended as substitute.

8 TO APPROVE, AS A CORRECT RECORD, THE MINUTES OF THE MEETING HELD ON 20 SEPTEMBER 2022

RESOLVED:

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

9 DECLARATION OF INTERESTS

None.

10 INTERNAL AUDIT PROGRESS REPORT

The Internal Auditor 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 October 2022 to January 2023.

RESOLVED:

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

**11 CORPORATE RISK MANAGEMENT SCORECARD QUARTER 2
2022/23**

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

He informed members that one risk score had changed from that previously reported at the last meeting in respect of risk 12, which was failure to respond to an environmental incident or a malicious act. He added that the risk score had increased from B1- low likelihood/negligible impact to B3 – low likelihood/serious impact. He concluded that although the risk had increased, members could be reassured that actions were being taken to address that particular risk.

RESOLVED:

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

12 ANY OTHER ITEM WHICH THE CHAIR CONSIDERS URGENT

None.

The meeting finished at 5.50 pm

Signed by Chair:
Date:



Report to Audit Committee

Subject: The Local Code of Corporate Governance 2023/24

Date: 14 March 2023

Author: Monitoring Officer

Purpose

To seek approval for the updated Local Code of Corporate Governance 2023/24.

Recommendation

THAT:

The Local Code of Corporate Governance for 2023/24 be approved.

1 Background

- 1.1 Corporate governance is the system by which organisations are directed and controlled and it became an important concept following the Cadbury Committee's report in 1992 on financial aspects of corporate governance. As a consequence, all local authorities have sought to demonstrate compliance with best practice by drawing up a Local Code of Corporate Governance, based on CIPFA/SOLACE Guidance first published in 2007.
- 1.2 In April 2016, CIPFA and SOLACE published the publication "Delivering Good Governance in Local Government: Framework" which is in essence an updated version of the original 2007 publication. However, amendments to the framework include an update to the Core Principles and sub principles to ensure organisations demonstrate good governance by "Achieving the Intended Outcomes While Acting in the Public Interest at all Times". The Framework makes it clear that it is up to each local authority to:

- Set out its commitment to the principles of good governance;
- Determine its own governance structures and local Code; and
- Ensure that it operates effectively in practice.

1.3 The Local Code of Corporate Governance should set out the governance structures the Council has in place to demonstrate how it complies with the Core principles and sub-principles. It is a 'living document' in that it must be periodically reviewed and amended to ensure that it satisfies the changing financial and corporate environment.

1.4 Members of the Committee will recall that on 12 September 2017 it was agreed that the process of review of the Code should be as follows:-

- Senior Leadership Team

The Senior Leadership Team (SLT) will review the Council's governance and risk management arrangements and identify a work programme for ensuring these arrangements remain robust and up-to-date as and when necessary. SLT will also proactively review issues which may arise during the course of the Council's day to day business and take steps to address them. SLT will report directly to the Audit Committee as and when necessary.

- The Audit Committee

The Audit Committee has overall responsibility for the Council's governance and risk management arrangements, and will be the main Member review of those arrangements. The Committee will approve any amendments to the Local Code.

1.5 At the end of the financial year, the Audit Committee will receive an annual report from the Chief Executive and Leader: the "Annual Governance Statement", which reports on the extent that the Council complies with its own Code of Corporate Governance and whether those arrangements are adequate and operating effectively. The Annual Governance Statement will accompany the Statement of Accounts report.

2 Proposal

2.1 In accordance with the agreed process, Senior Leadership Team has reviewed the Local Code on Corporate Governance in consultation with Heads of Service and has made a number of amendments to ensure that it remains up to date and fit for purpose. For ease of reference the amendments are shown in strikethrough and italics. Members will note that

there has been a suite of governance training delivered in 2022/23 and more to be delivered in the next year and a number of other additions to the Code of Governance reflecting the work undertaken in 2022/23 including:

- Consultation with residents on the Gedling Plan and budget for 2023/24
- New style Gedling Plan approved for 2023-27
- Adoption of a register of interests for staff and accompanying policy document
- Adoption of an Unacceptable Customer behaviour policy and Customer Promise
- Training for officers on the updated constitution, standing orders and fee setting
- A new Member training induction programme being developed
- Establishment of a training matrix for senior officers in respect of Corporate Governance
- The establishment of an officer group for the delivery of the Carbon Management Strategy
- The tracking of audit recommendations through Pentana
- The tracking of Equality Framework Actions through Pentana
- Establishment of a Corporate Management Team to support Senior Leadership team in strengthening governance throughout the organisation.
- The delivery of Community Outreach Sessions in the borough to engage with residents.

The Code also identifies work to be undertaken next year including review of the Member's Code of Conduct, Arrangements for Dealing with complaints under the Member's Code of Conduct and Gifts and Hospitality Code of Practice as well as preparation of a Procurement Strategy and Fees and Charges Strategy.

2.2 It is proposed that members approve the Code of Governance for 2023/24.

3 Alternative Options

3.1 Not to approve the Local Code of Governance or propose different amendments to the Code. As highlighted however, the requirement to have a Code is best practice as indicated by CIPFA/SOLACE guidance and supports the Annual Governance Statement required by statute by setting out clearly the Council's approach to governance across the organisation. The review undertaken for 2023/24 by SLT has been

undertaken in consultation with Heads of Service and reflects all required amendments.

4 Financial Implications

- 4.1 None directly arising from this report.

5 Legal Implications

- 5.1 The Code has been drawn up to demonstrate compliance with best practice as set out by CIPFA/SOLACE and supports the Annual Governance Statement which is required as part of the accounts process as required by statute and in particular the Accounts and Audit Regulations 2015.

6 Equalities Implications

- 6.1 None directly arising from this report.

7 Carbon Reduction/Environmental Sustainability Implications

- 7.1 None directly arising from this report.

8 Appendices

- 8.1 Appendix 1 – Local Code of Corporate Governance for 2023/24.

9 Background Papers

- 9.1 None identified.

Statutory Officer approval

Approved by:

Date:

On behalf of the Chief Financial Officer

Approved by:

Date:

On behalf of the Monitoring Officer

This page is intentionally left blank

LOCAL CODE OF CORPORATE GOVERNANCE

~~-2023/24~~2022/23

Introduction

1. Governance arrangements in the public services are vitally important and local government organisations need to ensure that they meet the highest standards, are kept up to date and are relevant. Governance is about how the Council ensures resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and there is clear accountability for the use of those resources in order to achieve the desired outcomes for service users and communities.
2. CIPFA¹/SOLACE² have together produced a corporate governance framework which was updated for 2016/17. It is an integrated system that brings together an underlying set of legislative requirements, governance principles and management processes. The governance framework produced by CIPFA/SOLACE remains a discretionary code and is offered to local authorities as good practice.
3. In conducting its business, Gedling Borough Council is fully committed to the key principles of good governance set out in the CIPFA/SOLACE framework. The framework is underpinned by seven core principles. This Local Code of Corporate Governance sets out below how Gedling Borough Council demonstrates that its governance structures comply with these seven core principles.

Good Governance

Core Principle A - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

Sub-principle	Actions to demonstrate good governance
Behaving with integrity	<ul style="list-style-type: none"> ▪ Ensuring Members and Officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation. ▪ Ensuring Members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles). ▪ Leading by example and using the above standard operating principles or values as a framework for decision making and other actions. ▪ Demonstrating, communicating and embedding the standard operating principles or values through

¹ Chartered Institute of Public Finance and Accountancy

² Society of Local Authority Chief Executives

	appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> ▪ Seeking to establish, monitor and maintain the organisation's ethical standards and performance. ▪ Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation. ▪ Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values. ▪ Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation.
Respecting the rule of law	<ul style="list-style-type: none"> ▪ Ensuring Members and staff demonstrate a strong commitment to the rule of law as well as adhering to relevant laws and regulations. ▪ Creating the conditions to ensure that the statutory officers, other key post holders, and Members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements. ▪ Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders. ▪ Dealing with breaches of legal and regulatory provisions effectively. ▪ Ensuring corruption and misuse of power are dealt with effectively.

To demonstrate its commitment to Core Principle A Gedling Borough Council:

- Has developed and promotes a culture of behaviour based on shared values, high ethical principles and good conduct underpinned by the following:
 - Members' code of conduct
 - Officers' code of conduct
 - Protocol on member/officer relations
 - Gifts and Hospitality Code of Practice for Members and Officers
 - Members' Register of Interests
 - Protocol for Members on dealing with planning matters
- Provides a comprehensive Elected Member induction programme which includes Code of Conduct training which has been refreshed for 2023/24.
- Has a Code of Conduct guidance note for Members.
- Carried out a review and public consultation of the Code of Conduct in 2021 with further review to commence in 2023/24.
- Additional Member training is provided supported by a dedicated budget for Member training.
- Has approved arrangements for dealing with complaints that a councillor has breached the Code of Conduct to be reviewed in 2023/24.
- Has a Standards Committee, which is not politically biased, with responsibility for standards and probity issues.
- Is able to monitor and investigate officer behaviour through its corporate complaints procedure.
- On a quarterly basis reminds Members to keep their Register of Interests up to date.

- Maintains a register of gifts and hospitality for Officers and Members, which is reported to Standards Committee on an annual basis and Senior Leadership team on a quarterly basis. *The register of gifts and hospitality for Members is now published on the Council's website on a quarterly basis.*
- Has an Audit Committee which has overall responsibility for the Council's governance and risk management arrangements.
- Has approved a Counter Fraud and Corruption Strategy, including whistle-blowing procedures during 2019/20 ~~and will be developing appropriate arrangements for an Officers' Register of Interests during 2021/22.~~
- Has developed appropriate arrangements for an Officer's Register of Interests during 2022/23.
- ~~-~~ Fraud awareness ~~training will be training has been~~ delivered to Officers in 2022/23 and forms part of Members induction training for 2023 and the Strategy is published on the Council's website.
- Has developed new guidance for Officers in respect of establishing partnerships and the governance and ongoing monitoring of these.
- Has clear role specifications within the Constitution in respect of the Head of Paid Service, Chief Financial Officer and Monitoring Officer.
- Has a monthly statutory officers meeting to ensure any governance issues are raised.
- Has introduced a Gedling Employee, Manager and Leader Standard which sets out behaviours expected by employees including consideration of actions to support carbon reduction.
- Conducts annual Personal Development Reviews which include a review of behaviours in the workplace.
- Requires reports to be considered for legal and financial implications and signed off on behalf of the Chief Financial Officer and Monitoring Officer with a template agreed to ensure that the details of review and approval are documented on the report.
- Has set out a Data Breach Management Policy within the Information Security Policy.
- Ensures commitment to paying the national minimum wage.
- Complies with the Public Contracts Regulations 2015 during procurement activity for the carrying out of works or provision of supplies or services and approved new Procurement and Contract Rules in 2022/23 to be reviewed again in 2023/24 pending the Procurement Bill.
- Has completed a comprehensive review of the Constitution during 2021/22 with training ~~to be~~ delivered in 2022/23
- Has adopted a new Equalities Policy, including reasonable adjustments in 2021/22.
- Has prepared an Equality Framework and Action Plan to be implemented from 2021/22 with actions tracked through the Council's performance management system ~~pentana-~~
- Has a Strategic Equalities Group of Members and Officers to support delivery on the Council's equality policy, framework and action plan.
- Has delivered Equality and Diversity training to Officers and Members in 2022/23.
- Has an approved Modern Slavery and Human Trafficking Transparency Statement and Modern Slavery Policy.
- Has put in place measures to respond to the GDPR and Data Protection Act requirements, including appointing a Data Protection Officer and deputy.
- Has a Strategic Risk Group of senior officers which meets quarterly including a quarterly review meeting between each Head of Service and the Head of Finance and ICT to consider governance compliance in procurement, internal audit actions and risk management actions.
- Has established a Corporate Management Team to support Senior Leadership Team and support good governance in decision making, service planning and project management.

Core Principle B - Ensuring openness and comprehensive stakeholder engagement

Sub-principle	Actions to demonstrate good governance
Openness	<ul style="list-style-type: none"> Ensuring an open culture through demonstrating documenting and communicating the organisation's commitment to openness. Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided. Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear. Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.
Engaging comprehensively with institutional stakeholders <i>NB. Institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable</i>	<ul style="list-style-type: none"> Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably. Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. Ensuring that partnerships are based on: <ul style="list-style-type: none"> Trust A shared commitment to change A culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit
Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement. Encouraging, collective and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds, including reference to future needs. Implementing effective feedback mechanisms in order to

	<p>demonstrate how views have been taken into account.</p> <ul style="list-style-type: none"> ▪ Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity. ▪ Taking account of the impact of decisions on future generations of tax payers and service users.
--	--

To demonstrate its commitment to Core Principle B Gedling Borough Council:

- Has an informative, user friendly website to share appropriate information with the community.
- Proactively provides information and interacts with the community through Contacts magazine, 'Keep me Posted' emails and social media, in particular Twitter and Facebook.
- Works with Community groups and Stakeholders to deliver Community Outreach sessions in the Borough.
- Has arrangements in place to seek and respond to the views of the community by:
 - Consulting with residents about Council services and priorities through the ~~bi-annual~~ biennial Residents' Gedling Conversation and Satisfaction Survey
 - Consulting with residents on the ~~_next~~ Gedling Plan ~~in-for~~ 2023-27
 - Holding meetings in public wherever possible
 - Recording and streaming public meetings
 - Publishing agendas, minutes and decisions
 - Making provision in the Council's Procedural Standing Orders in the Constitution for the public to ask questions at Council meetings and creating an online form for the public to submit such questions
 - Undertakes annual budget consultation with business ratepayers
 - Undertakes consultation with residents on budgets
 - Having effective relationships with other public sector agencies and the private and voluntary sectors ~~e~~
 - Undertaking miscellaneous consultation with residents, service users and relevant stakeholders including surveys, workshops and focus groups.
- Undertakes Equality Impact Assessments where appropriate to identify how the needs of particular groups have been considered to inform decision making, ensuring that appropriate consultations request data on the profile of respondents –
- Has an approved Statement of Community Involvement as part of to compliment the preparation of the Local Plan Development Framework.
- Proactively engages in the health agenda through involvement in the Nottinghamshire Health & Wellbeing Board and Integrated Care Partnerships.
- Proactively engages in a number of partnerships including: D2N2, Joint Planning Advisory Board, Gedling Health & Wellbeing Delivery Group, South Notts Community Safety Partnership and Gedling Employment and Skills Group.
- Has a Freedom of Information Act Publication Scheme on the Council's website.
- Complies with the provisions of the Transparency Code.
- Has clear privacy notices in line with data protection legislation.
- Requires officers to adhere to a calendar of dates for submitting, publishing and distributing timely reports.
- Sets out in the Financial Regulations appropriate control measures for entering into partnership arrangements.
- Has developed and introduced a Partnership Register, which identifies significant partnerships and potential impacts on the Council.
- Ensures reports to Cabinet include an analysis of alternative options together with the reasons for the recommendation contained within the report.
- Facilitates the filming, streaming and recording of public meetings where necessary.
- Will develop and adopt a Community Engagement toolkit during 2022/23 2023/24

- Has a Customer Promise updated in 2022/23 setting out how the Council will interact with all customers.
- Has a Complaints, Compliments and Comments Policy and Unacceptable Customer Behaviour Policy setting out how the Council will manage and respond to complaints updated in 2022.
- Has established a Youth Council and Senior's Council to ensure engagement with different sections of the Community.

Core Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits

Sub-principle	Actions to demonstrate good governance
Defining outcomes	<ul style="list-style-type: none"> ▪ Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions ▪ Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of the year or longer. ▪ Delivering defined outcomes on a sustainable basis within the resources that will be available. ▪ Identifying and managing risks to the achievement of outcomes. ▪ Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available.
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> ▪ Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. ▪ Taking a longer term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints. ▪ Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible in order to ensure appropriate trade-offs. ▪ Ensuring fair access to services.

To demonstrate its commitment to Core Principle C Gedling Borough Council:

- Has clearly set out its vision and priorities in the Gedling Plan [after thorough review of the Council's planning process and following consultation with residents.](#)
- Maintains a data hub to ensure data to support priorities is considered [including recent Census data.](#)
- Reflects the Council's vision and strategic priorities through individual service plans. These are captured and monitored in the Council's performance management system, Pentana.
- Monitors delivery against the Gedling Plan through quarterly reports to SLT, Cabinet

and Overview and Scrutiny Committee.

- Has developed a register of policies/plans and strategies to monitor review dates and ensure they remain fit for purpose.
- Has developed and maintains proper financial management arrangements. These include agreeing a balanced budget before the start of each financial year together with a Medium Term Financial Plan which looks ahead five years; and an Annual Statement of Accounts that details the Council's financial position in the previous year.
- Regularly reviews risks at a corporate project and operational level and ensures that appropriate plans are in place to mitigate risks as far as possible.
- Holds quarterly risk reviews and updates with ~~heads~~ Heads of Services as part of the Corporate Health and Safety and Risk Management group meetings.
- Has arrangements in place to publish the external auditor's report which includes a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- Has Procedural Standing Orders, Contract Standing Orders and Financial Regulations in place which were reviewed in 2021/22.
- Internal audit regularly reviews the risk and control framework and produces an annual report including an audit opinion on the adequacy and effectiveness of the Council's risk management, governance and control processes.
- Audit recommendations and actions are tracked through Pentana.
- Undertakes Equality Impact Assessments where appropriate to identify how the needs of particular groups have been considered to inform decision making
- Maintains an approach to fair access to services through Equality and Diversity Policies and Framework.
- Has an Equality group with Member and Officer representation to facilitate the Council's Equality Framework and Action Plan.
- Has Equality Actions monitored through the Council's performance management system.
- Intends to strengthen its role in enabling Social Value through its procurement activity in accordance with the Public Services (Social Value) Act 2012; and also its role in securing improved environmental outcomes through consideration of sustainable procurement factors as part of the update of the Procurement Strategy.
- ~~Has agreed a new report template to ensure that the~~ Includes details of carbon reduction/environmental sustainability implications are documented in reports.
- Has developed a Carbon Management Strategy and established an officer group to ensure implementation of the action plan.

Core Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub-principle	Actions to demonstrate good governance
Determining interventions	<ul style="list-style-type: none"> ▪ Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided. ▪ Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind further impacts.

Planning interventions	<ul style="list-style-type: none"> ▪ Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets. ▪ Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered. ▪ Considering and monitoring risks facing each partner when working collaboratively including shared risks. ▪ Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances. ▪ Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured. ▪ Ensuring capacity exists to generate the information required to review service quality regularly. ▪ Preparing budgets in accordance with objectives, strategies and the medium term financial plan. ▪ Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> ▪ Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints. ▪ Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term. ▪ Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage. ▪ Ensuring the achievement of 'social value' through service planning and commissioning.

To demonstrate its commitment to Core Principle D Gedling Borough Council:

- Ensures reports to Cabinet and Portfolio holders include an analysis of alternative options together with the reasons for the recommendation contained within the report.
- Requires service plans and performance indicators to be aligned to Council priorities set out in the Gedling Plan.
- Performance against the Gedling Plan is reported to and monitored by Senior Leadership Team, Cabinet and Overview and Scrutiny Committee on a quarterly basis. Performance data is also made available to all Members and is published on the Council's website.
- The Council's budget is developed to reflect the Council's priorities and the Council has a clear financial strategy including a Medium Term Financial Plan – budgets, plans and objectives are aligned.
- Requires reports to be considered for legal and financial implications and signed off on behalf of the Chief Financial Officer and Monitoring Officer with a new template agreed to ensure that the details of review and approval are documented on the report.

- Has a project management framework, including the full use of businesscase development and the scrutiny of projects through Corporate Management Team.
- Has an approved Risk Management Strategy to ensure that risk management is embedded into the culture of the Council.
- Has approved a Capital Investment Strategy for 20222023/23-24 to 20262027/2728.
- Will implement the requirements of the Financial Management Code to support good practice in financial management and demonstrate financial resilience and sustainability.
- Has arrangements in place to seek and respond to the views of thecommunity by:
 - consulting with residents about Council services and priorities throughthe bi-annual Gedling Conversation and Satisfaction Survey
 - undertaking miscellaneous consultation with residents and relevant stakeholders on a range of decisions and policy proposals
 - undertaking a consultation with residents on the ~~next~~ Gedling Plan for 2023
 - Undertaking a consultation with residents on budget setting
- Has developed an External Funding Strategy to ensure bids for external funding comply with Financial Regulations and meet agreed Gedling Plan priorities.
- Will implement a Fee and Charges Strategy to support statutory compliance and optimisation of income.
- Will implement a Procurement Strategy incorporating contract management guidance to ensure statutory compliance and value for money; setting out requirements for inclusion of social value and environmental outcomes in procurement.

Core Principle E - Developing the entity's capacity including the capability of its leadership and the individuals within it

Sub-principle	Actions to demonstrate good governance
Developing the entity's capacity	<ul style="list-style-type: none"> ▪ Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness. ▪ Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently. ▪ Recognising the benefits of partnerships and collaborative working where added value can be achieved. ▪ Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.
Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> ▪ Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained. ▪ Publishing a statement that specified the types of decisions that are delegated and those reserved for the collective decision making of the governing body. ▪ Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority.

	<ul style="list-style-type: none"> ▪ Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> - Ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged. - Ensuring Members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis - Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weakness both internal and external ▪ Ensuring that there are structures in place to encourage public participation ▪ Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections ▪ Holding staff to account through regular performance reviews which take account of training or development needs. ▪ Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.
--	--

To demonstrate its commitment to Core Principle E Gedling Borough Council:

- Has a comprehensive Member Induction Programme which has been reviewed and updated for 2023 and additional Member Training is provided supported by a dedicated budget for Member training.
- Has a dedicated corporate employee training budget.
- Has a matrix of corporate governance training for senior officers.
- Has delivered a comprehensive programme of Corporate Governance training to Officers ~~which was completed~~ in 2020/21 2022/23.
- ~~Will undertake a programme of training in 2022/23 to reflect the updated Constitution and standing orders therein.~~
- Performance and Development Reviews are undertaken for all members of staff at least annually. The process offers the opportunity to discuss performance and to identify any training and development needs.
- Requires the Head of HR, Performance and Service Planning to be consulted on staffing reports to ensure that team structures are fit for purpose and staffing resources are used to best effect.
- Operates a robust recruitment and selection process.
- Has a raft of HR policies and procedures in place which are included in the Employee Handbook and is available on the intranet.
- Adopts and publishes an annual Pay Policy statement that sets out the Council's approach to pay and provides links to relevant policies and procedures.
- Has an adopted agile working strategy and agreed a Flexible and Agile Working Policy in 2019.

- Has introduced the principles of Timewise as a means of maximising the opportunity for current and prospective employees to work in a more agile manner and in doing so encourage a wider pool of applicants to vacant posts.
- Provides access to occupational health arrangements and counselling services, under an Employee Assistance Programme, to help improve employee wellbeing and ensure that sickness absence is kept to a minimum.
- Promotes health and wellbeing through a staff e-newsletter, Well at Work initiatives ~~and~~ an annual Health Fair ~~and~~ through the Corporate Health and Safety group.
- Has secured the Well-being at Work Bronze Award.
- Arranges ~~an annual~~ Staff ~~Conferences and~~ events under the banner of 'Our Gedling'.
- Signed the Prevention Concordat for Better Mental Health.
- Provided mental health Awareness Training to all staff
- Adopted the dying to work charter.
- Adhere to the principles of the Disability Confident Employer Scheme.
- Clearly set out roles and responsibilities of Senior Members and statutory officers in the Constitution. Roles and responsibilities of Officers are clearly set out in job descriptions and person specifications.
- Has a Partnerships Register which will be reviewed regularly to ensure value is being derived from the collaborative arrangements.
- Has set out a Scheme of Delegation within the Constitution.
- Requires Members of the Planning Committee and Environment and Licensing Committee to undertake mandatory training.
- Clearly sets out the role of the Leader and Chief Executive within the Council's Constitution.
- Has completed to a comprehensive review of the Constitution in 2021/22.
- Has adopted a new Equalities Policy ~~during~~, including reasonable adjustments during 2021/22.
- Has implemented a Workforce Strategy during 2021/22 with plans to review during 2023-24 using recommendations from an audit of the strategy in 2023.-
- Ensures that performance against the Gedling Plan and agreed budget is reported to and monitored by the Senior Leadership Team, Cabinet and Overview and Scrutiny Committee on a quarterly basis. Performance data is also made available to all Members and is published on the Council's website.
- Agreed to sign the GMB's Employee Charter to demonstrate commitment to supporting employees experiencing domestic abuse.
- Became a Fostering-friendly Council in 2022
- Has adopted parental leave policy for Members to support continuation of duties and retain skills and knowledge and to encourage a wider range of prospective Councillors.

Core Principle F – Managing risks and performance through robust internal control and strong public financial management

Sub-principle	Actions to demonstrate good governance
Managing Risk	<ul style="list-style-type: none"> ▪ Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making ▪ Implementing robust and integrated risk management arrangements and ensuring that they are working effectively ▪ Ensuring that responsibilities for managing individual risks are clearly allocated
Managing performance	<ul style="list-style-type: none"> ▪ Monitoring service delivery effectively including planning,

	<p>specification, execution and independent post implementation review</p> <ul style="list-style-type: none"> ▪ Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook ▪ Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (Or, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making ▪ Providing Members and senior management with regular reports on service delivery plans and on progress towards an outcome achievement ▪ Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)
Robust internal control	<ul style="list-style-type: none"> ▪ Aligning the risk management strategy and policies on internal control with achieving objectives ▪ Evaluation and monitoring risk management and internal control on a regular basis ▪ Ensuring effective counter fraud and anti-corruption arrangements are in place ▪ Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor ▪ Ensuring and audit committee or equivalent group/function, which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> - Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment ▪ That its recommendations are listened to and acted upon
Managing data	<ul style="list-style-type: none"> ▪ Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data ▪ Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies ▪ Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring
Strong public financial management	<ul style="list-style-type: none"> ▪ Ensuring financial management is integrated at all levels of planning and control, including management of financial risks and controls ▪ Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

To demonstrate its commitment to Core Principle F Gedling Borough Council:

- Has put in place assurance arrangements which conform to CIPFA's requirements.
- The Council has appointed an Audit Committee which can report to Full Council if it considers necessary.
- A Risk Management Strategy that is led by Senior Management for the identification and evaluation of Corporate Risks, and integrated with the work of Internal Audit to provide a holistic source of assurance aligned to corporate objectives.
- The Risk Management Strategy is periodically reviewed by the Audit Committee along with a quarterly review of the corporate Risk Register by Senior Leadership Team and Audit Committee.
- The Council has contracted with BDO to provide an internal audit service. Internal auditors are independent and have access to all people, premises and systems. An annual report is presented to the Audit Committee.
- The Annual Audit Plan is shaped through an assessment of the Council's key strategic risk areas and critical services.
- Results of audit reviews are reported to the Audit Committee along with follow up work to ensure that the recommendations have been implemented.
- Audit actions are included as part of the Pentana performance management system.
- Financial systems are reviewed annually to ensure appropriate, effective controls are in place.
- External audit reports to the Audit Committee annually on the results of the audit of the financial statements.
- Through the Chief Financial Officer, Members are advised on the robustness of estimates and the adequacy of reserves set within the budget process.
- The Annual Governance Statement considers the internal control framework, and is presented to the Audit Committee annually with the Statement of Accounts.
- Ensures that effective arrangements are in place for the discharge of statutory officer roles by defining roles and responsibilities in the Constitution.
- Ensures compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful by:
 - requiring all reports to be considered for legal and financial implications and signed off on behalf of the Chief Financial Officer and Monitoring Officer
 - requiring all Council and Cabinet reports to be considered by Senior Leadership Team prior to inclusion in the agenda
- Has financial management arrangements in place which conform with the requirements of the CIPFA statement on the role of Chief Financial Officer in Local Government and with statutory provisions in the Local Government Act 1972, the Local Government Act 1988 and the Accounts and Audit Regulations 2015.
- Has updated Financial Regulations, Standing Orders for Dealing with Land and Contract Standing Orders and will provide training to the relevant staff.
- Through Senior Leadership Team, carries out a quarterly review of corporate risks to ensure that they are relevant, whilst at the same time reviewing risk appetite.
- Through the Corporate Health and Safety group identifies and discusses risk management with Heads of Service on a quarterly basis.
- Ensures that performance against the Gedling Plan and agreed budget is reported to and monitored by the Senior Leadership Team, Cabinet and Overview and Scrutiny Committee on a quarterly basis. Performance data is also made available to all Members and is published on the Council's website.
- Publishes an up to date Forward Plan to enable forthcoming key decisions to be scrutinised at the earliest opportunity by Overview and Scrutiny Committee.
- Ensures Overview and Scrutiny Committee has sufficient access to Cabinet Portfolio Holders, key officers and information for the purpose of constructive challenge.
- Is implementing the statutory Guidance on Overview and Scrutiny in Local and Combined Authorities.
- Has approved a Counter Fraud and Corruption Strategy, including whistleblowing procedures during 2019/20 to ensure effective arrangements are in place. This has

been published on the website and is accessible to officers and those contracting with or appointed by the Council and will introduce an Annual Fraud Report for consideration by Audit Committee.-

- Has robust arrangements in place for:
 - Managing data.
 - Training staff and Members in relation to information governance
 - Ensuring data security breaches are reported and dealt with appropriately as set out in the Information Security Policy
 - Setting out how data shall be dealt with in the Information Security Policy and Records Retention and Disposal Policy
 - Ensuring appropriate Information Sharing Agreements signed off by the Data Protection Officer are in place.
- Has put in place measures to respond to the GDPR and Data Protection Act requirements, including appointing a Data Protection Officer and deputy.
- Maintains Information Asset registers which are reviewed annually.
- Has developed an External Funding Strategy to ensure bids for external funding comply with Financial Regulations and meet agreed Gedling Plan priorities.
- Quarterly risk management information will be reported to Overview and Scrutiny Committee from April 2020.
- Publishes clear informative and Privacy Notices setting out what personal data is collected and how it will be used.
- Has completed a comprehensive review of the Constitution during 2021/22.
- Has a project management framework, including the full use of business case development.
- Has developed a Data Hub to provide an easily accessible online portal to access data that will inform and evidence decision making service, planning and other project work.
- Has introduced an annual declaration of Health and Safety risk assessments to demonstrate compliance and provide assurance.
- Will consider the appointment of an Independent Member to Audit Committee in accordance with recommended good practice.

Core Principle G – Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Sub-principle	Actions to demonstrate good governance
Implementing good practice in transparency	<ul style="list-style-type: none"> ▪ Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate ▪ Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand
Implementing good practices in reporting	<ul style="list-style-type: none"> ▪ Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way ▪ Ensuring Members and senior management own the results reported ▪ Ensuring robust arrangements for assessing the extent to which the principles contained in this framework have been applied and publishing the results on this assessment,

	<p>including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)</p> <ul style="list-style-type: none"> ▪ Ensuring that this framework is applied to jointly managed or shared service organisations as appropriate ▪ Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations
Assurance and effective accountability	<ul style="list-style-type: none"> ▪ Ensuring that recommendations for corrective action made by external audit are acted upon <u>and that progress on completion of actions is reported quarterly to Senior Leadership Team through the use of the Council's performance management system.</u> ▪ Ensuring an effective internal audit service with direct access to Members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon ▪ Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations ▪ Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement ▪ Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met

To demonstrate its commitment to Core Principle G Gedling Borough Council:

- Operates under Executive arrangements with an established Overview and Scrutiny Committee.
- Monitors compliance with the Freedom of Information Act and Access to Information Act and deals with FOI requests through an Information and Practice Manager.
- Adopts a presumption of openness and transparency and publishes key information on its website. The Council has a Publication Scheme and publishes information in accordance with the Code on Data Transparency.
- Presents annual reports to Cabinet on Information Governance, Regulation of Investigatory Powers Act usage and CCTV.
- Has appointed a Senior Responsible Officer and Single Point of Contact for CCTV and surveillance camera systems.
- Through reviews by external auditors, internal audit and Senior Leadership Team seeks ways of ensuring that value for money is achieved and for securing continuous improvement in the way in which its functions are exercised.
- Has an effective corporate complaints system which is managed through Customer Services. All complaints are monitored and evaluated, through a quarterly report to Senior Leadership Team and the Complaints, compliments and Comments Policy is reviewed annually and presented to cabinet with annual complaints data.
- Ensures that performance against the Gedling Plan and agreed budget is reported and monitored by the Senior Leadership Team, Cabinet and Overview and Scrutiny Committee on a quarterly basis. Performance data is also made available to all members and is published on the Council's website.
- Ensures that all agendas, reports and minutes are published on the Council's website.
- Seeks to minimise the number of and sections of reports which need to be considered

in the confidential section of Council, Committee and Cabinet meetings.

- Issues guidance to staff to ensure that the requirements of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 and Openness of Local Government Bodies Regulations 2014 are complied with.
- Determines that the Chief Executive is responsible and accountable for all aspects of operational management.
- Monthly statutory officers meetings are held to ensure risks/actions identified.
- Records in the minutes of the proceedings of a “budget decision meeting” of Council the names of the Members who voted or abstained.
- When working in partnership, will take steps to develop working protocols, robust procedures for scrutiny of decisions and behaviour, and ensure meetings are held in public.
- Has put in place measures to respond to the GDPR and Data Protection Act requirements, including appointing a Data Protection Officer and deputy.



Report to Audit Committee

Subject: Accounting Policies 2022/23

Date: 14 March 2023

Author: Chief Financial Officer

1 Purpose of Report

To present the proposed Accounting Policies to be applied in the production of the 2022/23 financial statements, for approval.

Recommendation:

THAT:

Members approve the Accounting Policies 2022/23, as set out in the Appendix, for application to the financial statements in respect of 2022/23.

2 Background

It is considered good practice for Members to be given the opportunity to discuss and comment upon the Accounting Policies used each year in the production of the financial statements. The Accounting Policies will be applied to the treatment of transactions that make up the Statement of Accounts 2022/23 to ensure that the accounts provide a "true and fair view" of the position of the Council at 31 March 2023.

The Statement of Accounts 2022/23 will be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) based on International Financial Reporting Standards. There are no changes introduced by the 2022/23 Code that require amendment to the Council's Accounting Policies, and they remain in substance the same as those used for the production of the 2021/22 financial statements.

A new standard with respect to leasing (IFRS 16) was deferred for implementation until 1 April 2024 (i.e. applicable to the 2024/25 financial statements) and this will change the accounting treatment of finance and operating leases. The Council is actively assessing the implications of the new standard, and considers it unlikely that the impact will be material.

3 Proposal

The Council has prepared its Accounting Policies in advance of the preparation of its 2022/23 financial statements. There are no material changes in the 2022/23 Code that impact on any of the Accounting Policies and the Council will apply these to the Accounts once they have been considered and approved by Members.

4 Financial Implications

There are no financial implications directly arising from this report.

5 Legal Implications

There are no legal implications directly arising from this report.

6 Equalities Implications

There are no equalities implications directly arising from this report.

7 Carbon Reduction/Environmental Sustainability Implications

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

8 Appendices

Gedling Borough Council - Accounting Policies 2022/23

Statutory officer Approval:

Approved by: Chief Financial Officer

Date: 6 March 2023

Approved by: Monitoring Officer

Date: 6 March 2023

GEDLING BOROUGH COUNCIL - ACCOUNTING POLICIES 2022/23**1. General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with the proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code), supported by International Financial Reporting Standards (IFRS).

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

The Statement of Accounts has been prepared on a going concern basis. As required by IAS1, it has been assumed that the Council will continue in operation for the foreseeable future.

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods or services is recognised in accordance with the terms and conditions of the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled,

the balance is written down and a charge made to revenue for the income that might not be collected.

An exception to this principle relates to electricity and similar quarterly payments, which are charged at the date of meter readings rather than being apportioned between financial years. This policy is consistently applied each year and is unlikely to have a material effect on the year's accounts.

3. Cash and Cash Equivalents

Cash is represented by cash in hand at the bank, cash in transit and imprest amounts. Cash equivalents are represented by deposits held in Business Reserve accounts and Money Market Funds that are repayable at call without penalty. They are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

All deposits held for fixed periods, however short, are classed as short-term investments, since they are not readily convertible to cash as they cannot be broken without the payment of penalties.

4. Exceptional items

When items of income and expenditure are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to the understanding of the Council's financial performance.

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

6. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

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

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 require local authorities to approve an MRP policy at the beginning of each financial year, determining how the amount to be set aside for the repayment of principal on outstanding debt is to be calculated. This policy is included in the Treasury Management Strategy Statement for 2022/23, which was approved by Council on 2 March 2023.

7. Employee Benefits

Benefits Payable during Employment

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

Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment for non-distributed costs in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserve Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

Employees of the Authority are members of The Local Government Pensions Scheme, administered by Nottinghamshire County Council.

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

The Local Government Pension Scheme

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

- The liabilities of the Nottinghamshire County Council Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate that reflects the time value of money and the characteristics of the liability.
- The assets of Nottinghamshire County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price;
 - unquoted securities – professional estimate;
 - unitised securities – current bid price;
 - property – market value.

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

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

- Contributions paid to the Nottinghamshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

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

Discretionary Benefits

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

8. Events After the Balance Sheet Date

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

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

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

9. **Financial Instruments**

Financial Liabilities

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

For all the Authority's borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has not undertaken any repurchase or early settlement of borrowing during 2022/23. [\(to be confirmed at 31 March\)](#)

Financial Assets

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

- Amortised cost;
- Fair value through profit and loss (FVPL); and
- Fair Value through other comprehensive income (FVOCI).

The Authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a

financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Authority has provided car loans to employees at less than market rates (soft loans). In normal circumstances soft loans would be recognised and measured in the accounts at fair value, in accordance with the Code. However, car loans to employees have been considered at length and it has been concluded that the sum outstanding is not material. Accordingly, no additional calculations for fair value have been undertaken and car loans are recognised at the value of the sums loaned less repayments made.

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

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised costs, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade debtors held by the Authority.

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

Changes in loss allowances (including balances outstanding at the date of de-recognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL are recognised in the Balance Sheet when the authority becomes a party to contractual provisions of a

financial instrument and are initially measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as they occur.

The Authority holds an investment in the CCLA property fund (a pooled investment fund) which is classified as FVPL. Gains and losses on the fund must now be charged to the Comprehensive Income and Expenditure Statement, however a statutory override effective until 31 March 2023 requires that gains and losses on pooled investment funds must be reversed out through the Movement in Reserves Statement to the Pooled Investment Funds Adjustment Account.

Fair Value through Other Comprehensive Income (FVOCI)

These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the Comprehensive Income and Expenditure Statement when the asset is disposed of. The Authority did not hold any FVOCI instruments during 2022/23.
(to be confirmed at 31 March)

10. Foreign Currency Conversion

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are converted at the European Central Bank Reference Rate applicable at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

11. Government Grants and Contributions

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

- The Authority will comply with the conditions attached to the payments and;
- The grants or contributions will be received.

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

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

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

Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges are largely used to fund capital expenditure. However, a small proportion of the charges for this authority may be used to fund revenue expenditure and to meet administrative expenses.

12. Intangible Assets

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

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

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

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

13. Inventories

Inventories included in the Balance Sheet are valued at last price paid.

Stocks and stores held in the Authority's depot and leisure centres at the year-end are valued at the latest price paid. This is a departure from the requirements of the Code which require stocks to be shown at actual cost or net realisable value, if lower. The effect of the different treatment is not considered to be material. Work in progress on uncompleted jobs is valued at the lower of cost or net realisable value.

14. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use.

Properties are not depreciated but values are revalued annually and are reviewed at year-end according to the market conditions. Gains and losses on revaluation are posted to the Financing and Investment Income and

Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Investment property that meets the classification criteria for assets held for sale with a realistic expectation of disposal within the next financial year will be re-classified as Held-for-Sale Investment Property in Current Assets.

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

15. **Leases**

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

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. The Authority did not have any arrangements of this type during 2022/23. [\(to be confirmed at 31 March\)](#)

The Authority as Lessee:

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The Authority operates a de minimis level of £5,000 in recognising and valuing assets acquired under finance lease. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability and,
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of any adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Authority does not currently have any finance leases as lessee in excess of the de-minimis level. [\(to be confirmed at 31 March\)](#)

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

The Authority as Lessor:

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal) matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received) and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

The Authority does not currently have any finance leases as lessor. [\(to be confirmed at 31 March\)](#)

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the appropriate service revenue account in the Net Cost of Services in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

A new standard with respect to leasing has been deferred until 1 April 2024 (IFRS16) which will change the accounting treatment of finance and operating leases. The Council is actively assessing the implications of the new standard, and considers it unlikely that the impact will be material.

16. Overheads and Support Services

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

17. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. The Authority operates a de minimis level of £5,000 in recognising and valuing assets.

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to

the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Where non property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value. Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end but as a minimum every two years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service).

Where decreases in value are identified, they are accounted for as follows:

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

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

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset

is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the useful life of the property as estimated by the valuer;
- Vehicles, plant, furniture and equipment – straight-line allocation over useful life of the asset as advised by a suitably qualified officer;
- Infrastructure – straight line allocation over estimated useful life.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant, and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

18. Provisions, Contingent Liabilities and Contingent Assets and Reserves

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

Reserves

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

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

19. **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

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

20. **VAT**

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

21. **Fair Value Measurement**

The Authority measures some of its non-financial assets i.e. investment assets and some of its financial instruments at fair value at each reporting date. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

When measuring the fair value of a non-financial asset, the authority takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of a fair value measurement are categorised within the fair value hierarchy, as follows:

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

22. Collection Fund

As a billing authority, Gedling Borough Council is required to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NDR). The Council acts as an agent, collecting and distributing council tax and NDR income on behalf of the major preceptors (including central government for NDR) and, as principals, collecting council tax and NDR for themselves. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risk and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The transactions of the Collection Fund are wholly prescribed by legislation. Billing authorities have no discretion to determine which receipts and payments are accounted for within the fund and which are outside it.

Gedling's share of non-domestic rating income and its own council tax demand are paid out of the Collection Fund and credited to the Comprehensive Income and Expenditure Statement (CIES). The transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the financial year, however each authority will recognise income on a full accruals basis, ie. sharing out in full the surplus or deficit on the Collection Fund at the end of the year, even though it will be distributed to, or recovered from, the relevant authorities in a subsequent financial year. The difference between the accrued income included in the CIES and the estimated income share or demand is reversed out via the Movement in Reserves Statement, and transferred to the Collection Fund Adjustment Account.

There is no requirement for a separate Collection Fund Balance Sheet. Instead Collection Fund balances are distributed across the balance sheets of the billing authority, central government, and precepting authorities. In Gedling's accounts this is represented by the establishment of a debtor or creditor position with each organisation for the difference between the preceptors' and central government's share of business rates income or council tax demand and the cash collected, and settlement of the surplus/deficit on the Collection Fund.

Gedling's Balance Sheet includes the authority's share of the year end balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

As the billing authority, Gedling Borough Council's Cash Flow Statement includes in 'operating activities' only its own share of the council tax and non-domestic rating income collected with movements in the debtor/creditor position with preceptors and central government being included in the Cash Flow Statement as 'financing activities'.



Report to Audit Committee

Subject: Internal Audit Annual Plan 2023/24

Date: 14 March 2023

Author: Gurpreet Dulay – Internal Audit Director (BDO)

Purpose

To detail the three-year Internal Audit Plan for 2023/24 – 2025/26 for Gedling Borough Council.

Recommendation(s):

THAT:

- 1) Members approve the Internal Audit Plan 2023/24 – 2025/26**

1. Background

- 1.1 The draft Internal Audit Plan contains a detailed operational plan for 2023/24 and a three-year strategic plan covering 2023/24 to 2025/26. Each audit has been mapped against the Council's key strategic risks. This is to ensure the audits cover the key risks the Council consider may impact the Council in achieving its strategic objectives. The plan has been presented to the Corporate Management Team for comments and was approved in draft, with final approval required by the Audit Committee.

2. Proposal

- 2.1 Members to review and approve the draft Internal Audit Plan.

3. Financial Implications

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

4. Alternative Options

- 4.1 Not to approve the Internal Audit Plan or to propose different internal audits for completion during the period of the plan. However, the proposed plan has been developed in consultation with the Council's Corporate Management Team and in consideration of the Council's risk register and in the context of audits completed in recent years to ensure appropriate coverage of key risk issues across the term of the plan. Variations to the plan may be proposed during the implementation of the plan to address any new emerging risk issues should they arise.

5. Legal Implications

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

6. Equalities Implications

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

7. Carbon Reduction/Environmental Sustainability Implications

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

8. Appendix

- 8.1 GBC Internal Audit Plan 2023/24

9. Background Papers

- 9.1 Corporate Risk Register

Statutory Officer approval

Approved by the Chief Financial Officer

Date: 6 March 2023

Approved by the Monitoring Officer

Date: 6 March 2023



INTERNAL AUDIT ANNUAL PLAN

Gedling Borough Council

2023/24

CONTENTS

AUDIT RISK ASSESSMENT	2
OUR NEXT GEN INTERNAL AUDIT APPROACH	3
MAPPING YOUR STRATEGIC RISKS	5
MAPPING YOUR CRR TO THE STRATEGIC PLAN	5
INTERNAL AUDIT OPERATIONAL PLAN 2023/24.....	8
APPENDIX I	14



AUDIT RISK ASSESSMENT

BACKGROUND

Our risk-based approach to internal audit uses Gedling Borough Council (the Council)'s own risk management process and risk register as a starting point for audit planning as this represents the client's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects the Council's current risk profile.

PLANNED APPROACH TO INTERNAL AUDIT 2023/24

The indicative Internal Audit programme for 2023/24 is set out on pages 8-12. We engaged with the Heads of Service and Senior Leadership Team in order to bring together a full plan which will be presented at this Audit Committee for formal review and approval. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.

The plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risks would be looked at over a three-year audit cycle. We have suggested future areas of focus as part of the three-year strategic internal audit plan, set out on pages 5-7.

INDIVIDUAL AUDITS

When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within the Council. Where revisions are required, we will obtain approval from the appropriate Executive Director prior to commencing fieldwork.

In determining the timing of our individual audits, we will seek to agree a date which is convenient to the Council and which ensures availability of key management and staff and takes account of any operational pressures being experienced.

VARIATIONS TO THE PLAN

We review the three-year strategic plan each year to ensure we remain aware of your ongoing risks and opportunities. Over the coming pages we have mapped your key risks along with the audit work we propose to undertake, demonstrating we are focussing on your most important issues.

As such, our strategic audit programme follows the risks identified during our planning processes and confirmed via discussions with the Executive Directors. If these were to change, or emerging risks were to develop during this period, we would take stock and evaluate our coverage accordingly.

OUR NEXT GEN INTERNAL AUDIT APPROACH

Our new and innovative Next Gen approach to internal audit ensures you maximise the potential added value from BDO as your internal audit provider and the expertise we bring from our dedicated Public Sector Internal Audit team and wider BDO specialist teams.

The Next Gen approach has allowed us to move away from the traditional approach of compliance auditing, transitioning in to delivering a healthy mix of assurance that is forward looking, flexible and responsive and undertaken in partnership with yourselves. The key components to this approach are outlined below and underpin our proposed plan coverage:

CORE ASSURANCE

Reviews of fundamental finance and operational systems to provide assurance that core controls and procedures are operating as intended.

SOFT CONTROLS

Reviews seek to understand the true purpose behind control deficiencies and provide a route map to enhance their effectiveness.

FUTURE FOCUSED ASSURANCE

Rather than wait for implementation and then comment on identified weaknesses, we will work with you in an upfront / real time way.

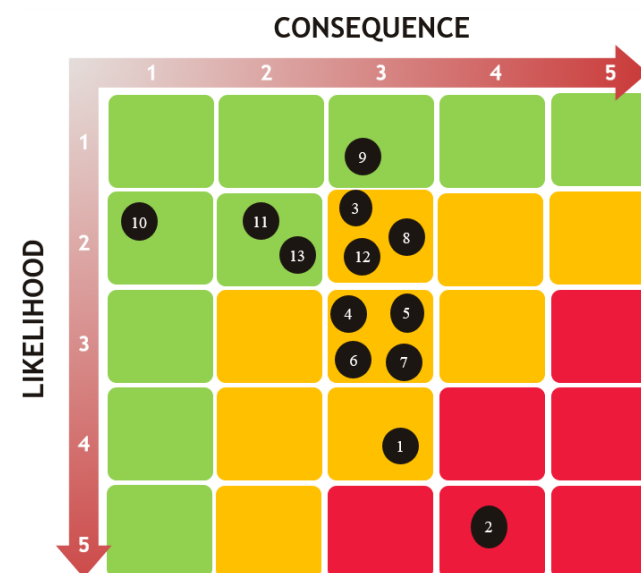
FLEXIBLE AUDIT RESOURCE

Undertake proactive work across the Council, perhaps in preparation for regulatory reviews or change management programmes.



MAPPING YOUR STRATEGIC RISKS

REF	STRATEGIC RISKS FROM YOUR CRR	SCORE
1	Failure to prevent budget overheating	12
2	Failure to maintain financial integrity	20
3	Failure to protect staff including health and safety issues	8
4	Failure to recruit and retain staff and maintaining internal capacity	6
5	Failure to properly utilise existing ICT, react to technology changes and prevent data loss	9
6	Failure to protect and utilise physical assets	9
7	Failure to react to changes in legislation	9
8	Failure of contractors or partnership arrangements - contractual breaches	6
9	Inability to defend one-off challenges to a Council decision or new compensation trend emerges	3
10	Failure to maintain service standards/customer expectation	2
11	Failure to prevent damage to the Council's reputation	4
12	Failure to react to an environmental incident or malicious act	2
13	Failure to react to socio-economic trends	4



MAPPING YOUR CRR TO THE STRATEGIC PLAN

REF	STRATEGIC RISKS FROM YOUR CRR	2023/24	2024/25	2025/26
1	Failure to prevent budget overheating	<ul style="list-style-type: none"> • Main Financial Systems • Generating External Income • Governance & Budgetary Assurance Mapping • Council Tax/NNDR 	<ul style="list-style-type: none"> • Budget Management • Main Financial Systems • Capital Projects • Demand Management 	<ul style="list-style-type: none"> • Main Financial Systems • Reconciliations
2	Failure to maintain financial integrity	<ul style="list-style-type: none"> • Main Financial Systems • Generating External Income • Governance & Budgetary Assurance Mapping • Council Tax/NNDR • Project & Programme Management 	<ul style="list-style-type: none"> • Budget Management • Main Financial Systems • Capital Projects • Demand Management • Housing Benefits 	<ul style="list-style-type: none"> • Main Financial Systems • Reconciliations • Insurance
3	Failure to protect staff including health and safety issues	<ul style="list-style-type: none"> • Governance & Budgetary Assurance Mapping 	<ul style="list-style-type: none"> • Waste & Recycling 	<ul style="list-style-type: none"> • Environment - Carbon Management Strategy
4	Failure to recruit and retain staff and maintaining internal capacity	<ul style="list-style-type: none"> • Governance & Budgetary Assurance Mapping 	<ul style="list-style-type: none"> • Equality, Diversity & Inclusion 	
5	Failure to properly utilise existing ICT, react to technology changes and prevent data loss	<ul style="list-style-type: none"> • GDPR Information & Governance • Project & Programme Management 	<ul style="list-style-type: none"> • Digital Strategy • IT Disaster Recovery 	<ul style="list-style-type: none"> • Governance of Partnership Arrangements

REF	STRATEGIC RISKS FROM YOUR CRR	2023/24	2024/25	2025/26
			<ul style="list-style-type: none"> Community Safety (including CCTV) 	
6	Failure to protect and utilise physical assets	<ul style="list-style-type: none"> Main Financial Systems Project & Programme Management 	<ul style="list-style-type: none"> Capital Projects Community Safety (including CCTV) 	<ul style="list-style-type: none"> Car Parking
7	Failure to react to changes in legislation	<ul style="list-style-type: none"> Governance & Budgetary Assurance Mapping Safeguarding Council Tax/NNDR Project & Programme Management 	<ul style="list-style-type: none"> Waste and Recycling Community Safety (including CCTV) 	<ul style="list-style-type: none"> Governance of Partnership Arrangements Procurement and Contract Management Insurance
8	Failure of contractors or partnership arrangements - contractual breaches	<ul style="list-style-type: none"> Community Health and Wellbeing (with focus on Leisure Services) Safeguarding Project & Programme Management 	<ul style="list-style-type: none"> Waste and Recycling Community Safety (including CCTV) 	<ul style="list-style-type: none"> Governance of Partnership Arrangements Insurance
9	Inability to defend one-off challenges to a Council decision or new compensation trend emerges	<ul style="list-style-type: none"> Governance & Budgetary Assurance Mapping Main Financial Systems Council Tax/NNDR 	<ul style="list-style-type: none"> Main Financial Systems Demand Management 	<ul style="list-style-type: none"> Main Financial Systems Insurance
10	Failure to maintain service standards/customer expectation	<ul style="list-style-type: none"> Council Tax/NNDR 	<ul style="list-style-type: none"> Customer Experience & Complaints 	<ul style="list-style-type: none"> Governance of Partnership Arrangements
11	Failure to prevent damage to the Council's reputation	<ul style="list-style-type: none"> Governance & Budgetary Assurance Mapping 	<ul style="list-style-type: none"> Customer Experience & Complaints 	<ul style="list-style-type: none"> Governance of Partnership Arrangements

REF	STRATEGIC RISKS FROM YOUR CRR	2023/24	2024/25	2025/26
		<ul style="list-style-type: none"> • Main Financial Systems • Safeguarding • Project & Programme Management 	<ul style="list-style-type: none"> • Main Financial Systems 	<ul style="list-style-type: none"> • Environment - Carbon Management Strategy • Main Financial Systems • Reconciliations
12	Failure to react to an environmental incident or malicious act	<ul style="list-style-type: none"> • Project & Programme Management 	<ul style="list-style-type: none"> • Waste & Recycling • Customer Experience & Complaints 	<ul style="list-style-type: none"> • Environment - Carbon Management Strategy
13	Failure to react to socio-economic trends	<ul style="list-style-type: none"> • Generating External Income • Council Tax/NNDR 	<ul style="list-style-type: none"> • Housing Benefits • Capital Projects 	<ul style="list-style-type: none"> • Homelessness and Temporary Accommodation

INTERNAL AUDIT OPERATIONAL PLAN 2023/24

AREA	CRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Core Assurance					
Main Financial Systems	1,2	15	Q4	In 2023/24 we will review General Ledger, Accounts Payable and Accounts Receivable.	Main Financial Systems is a routine annual audit that helps inform the Head of Internal Audit Annual Opinion.
Governance & Budgetary Assurance Mapping	1,2,3,7,9,11	16	Q1	We will review the governance, risk and budgetary assurance over each service areas within the Council, mapping each area and the activities sitting within them. We will seek to understand the sources of assurance obtained by senior management; how decision-making and delegations processes work in each area, and verify that there is sufficient reporting and management oversight for these areas.	This is an assurance piece to ensure there are no gaps in management oversight at the Council, particularly given the turnover of senior staff in recent years. This will assist us in forming our Head of Internal Audit Annual Opinion.
Council Tax/NNDR	1,2	12	Q2	This review will assess: <ul style="list-style-type: none"> • Council tax and NNDR policies i.e. council tax reduction scheme in terms of its review and approval • VOA returns back to what is recorded on systems • The process to issue demands and whether discounts or values have been applied correctly • How amendments to demands are actioned and critically how they are followed up 	This is a routine audit taken within a three year cycle and the last time this was undertaken at the Council was 20/21.

AREA	CRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
				<ul style="list-style-type: none"> Assess KPI reporting on this area and how action is implemented Focus on collection of debt for council tax and NNDR in this review 	
Safeguarding	7,8,11	15	Q2	<p>This review will document how the Council identifies all roles and activities which may have impact on safeguarding concerns.</p> <p>From here we will assess the controls around staff receiving appropriate training against a safeguarding training needs analysis.</p> <p>The review will assess governance arrangements, who attends safeguarding meetings and how decisions and actions are taken to ensure safeguarding is appropriate. Review relationship with section 11 forms and reporting to Adult and Children's Safeguarding Boards.</p>	This review has not yet been undertaken by BDO at the Council and given current events (for example, the Ukrainian and Afghan resettlement schemes, changes to the Leisure Strategy and new national requirements for local authorities pertaining to the Domestic Abuse Act 2021 with regard to providing support and accommodation to victims of domestic abuse) there is a need to ensure that safeguarding processes are established and working well at the Council.
Project & Programme Management	7,8, 11	12	Q2	We will examine the project and programme management guidance and mechanisms at the Council and assess if these are fit for purpose. We will sample test projects to verify that they adhere to Council guidance and best practice.	To gain assurance that the Council is actively mitigating any reputational risks and effectively managing its activities.
GDPR Information & Governance	5	10	Q3	<p>We will assess whether the Council's GDPR arrangements are sound. There will be a focus on how the Council ensures it is compliant which will include sample testing data from different parts of the Council to ensure it is now compliant.</p> <p>We will also assess the arrangements in place to ensure there is sufficient staff capacity to meet requirements, how reporting is effective and how lessons learned are shared to ensure good/poor practice is promoted/stamped out.</p>	To gain assurance that the Council is meeting regulatory requirements and customer expectations.

AREA	CRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Total		80			

AREA	CRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Future focussed reviews					
Community Health & Wellbeing (with focus on Leisure Services)		15	Q3	<p>Broadly, the introduction of Integrated Care Systems (ICs) and Partnerships (ICPs) and places an even stronger emphasis on partnership working between local government and the NHS to improve community health and wellbeing, reduce health inequalities and create 20 minute neighbourhoods. This review will be an opportunity to assess how well the Council is capturing data across its relevant service areas (leisure, housing, planning etc) and contributing to the ICP. It will also seek assurance that the current Leisure Strategy being developed effectively links in to this partnership work and leverages all the opportunities that being a part of the ICS should bring.</p> <p>We will also consider the effectiveness of leisure services in the interim period while the new Leisure Strategy is being developed and implemented. We will review whether the Council is taking appropriate action with the changing expectations to ensure maximisation of customers and income.</p> <p>A more precise scope for this review to be agreed closer to the time of audit.</p>	Given recent developments in the energy sector, and deepening of expectations with regard to local government's role in promoting health and wellbeing in its population, this will be a timely review.

AREA	CRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Generating External Income	1,2	13	Q4	<p>The Council is developing its fees and charges strategy. This review will focus on the implementation of the strategy and compliance against it. This will include a review of contractual income and subsidy arrangements and the clarity of these arrangements. We will benchmark this against other local authorities.</p> <p>We will review Council arrangements for how external sources of income via grants are identified, managed and successfully bid for. The Council also generates money via advertising and sponsorship and we will also examine this by obtaining and reviewing the Marketing Strategy and the implementation of associated plans.</p>	This will be key in determining the Council's preparedness for the future.
Health and Safety	1,2,11,12	14	Late Q2	<p>We will review Health and Safety Policies and adherence to them across the Council. We will seek to verify that previous recommendations we have made relating to contractor health and safety arrangements have been adhered to.</p> <p>We will also assess training in this area and whether arrangements are effective. We will also:</p> <ul style="list-style-type: none"> • Review how incidents are reported and then managed/escalated • Assess how sites are maintained to ensure they are safe. This includes Council offices and Council housing properties • Assess performance indicator information and reporting to management groups who assess this. We will review minutes and interview key stakeholders. 	This risk has been increased on the Council's risk scorecard. We conducted a review in 20/21 and this will be an opportunity to follow up on the findings at the time as well as assess any emerging risks in this area.
Total		42			

AREA	CRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Flexible Live Assurance - To be allocated during the year as required but could include the example shown below					
Contingency Days	N/A	5	N/A	For any unexpected work or additional requirements to current budgets	Contingency
Total		5			

AREA	CRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Contract Management					
Planning / liaison / management	N/A	3	Q1 - Q4	Creation of audit plan, meeting with Executive Directors	Effective contract management
Recommendations follow up	N/A	4	Q1 - Q4	Assessment and reporting of status of implementation of recommendations raised	Assurance for Corporate Management Team and Audit Committee
Audit Committees	N/A	4	Q1 - Q4	Attendance at Audit Committee meetings, pre-meets and Audit Committee Chair liaison	Effective contract management
Total		11			

Page 68

SUMMARY	DAYS
Core Assurance	80
Future Focused Reviews	42
Flexible Audit Resource	5
Contract Management	11
Total days	138

APPENDIX I

INTERNAL AUDIT CHARTER - ROLE AND SCOPE OF INTERNAL AUDIT

PURPOSE OF THIS CHARTER

This charter is a requirement of Public Sector Internal Audit Standards (PSIAS).

The charter formally defines internal audit's mission, purpose, authority and responsibility. It establishes internal audit's position within Gedling Borough Council (the Council) and defines the scope of internal audit activities.

Final approval resides with Cabinet, in practice the charter shall be reviewed and approved annually by management and by the Audit Committee on behalf of the Cabinet of the Council.

INTERNAL AUDIT'S MISSION

Internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

STANDARDS OF INTERNAL AUDIT PRACTICE

To fulfil its mission, internal audit will perform its work in accordance with PSIAS, which encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF): Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

INTERNAL AUDIT DEFINITION AND ROLE

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit acts primarily to provide the Audit Committee with information necessary for it to fulfil its own responsibilities and duties. Implicit in internal audit's role is that it supports management to fulfil its own risk, control and compliance responsibilities. The range of work performed by internal audit is set out in PSIAS and not repeated here.

INTERNAL AUDIT'S SCOPE

The scope of internal audit activities includes all activities conducted by the Council. The Internal Audit Plan sets out those activities that have been identified as the subject of specific internal audit engagements.

The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management, with the aim of improving governance, risk management and control and contributing to the overall opinion. The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, internal audit should maintain objectivity and not assume management responsibility.

EFFECTIVE INTERNAL AUDIT

Our internal audit function is effective when:

- It achieves the purpose and responsibility included in the internal audit charter
- It conforms with the Standards
- Its individual members conform with the Code of Ethics and the Standards
- It considers trends and emerging issues that could impact the organisation.

The internal audit activity adds value to Gedling Borough Council (and its stakeholders) when it considers strategies, objectives and risks, strives to offer ways to enhance governance, risk management and control processes and objectively provides relevant assurance.

We will agree with you an audit plan for a total number of days activity. Once agreed, we will turn this into a cash budget which we will work to, in order to ensure that you have certainty around the fees you will pay us.

INDEPENDENCE AND INTERNAL AUDIT'S POSITION WITHIN GEDLING BOROUGH COUNCIL

To provide for internal audit's independence, its personnel and external partners report to the Head of Internal Audit, who reports functionally to the Audit Committee. The Head of Internal Audit has free and full access to the Chair of the Audit Committee. The Head of Internal Audit reports administratively to the Director of Corporate Resources and Section 151 Officer who provides day-to-day oversight.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit Committee.

The internal audit service will have an impartial, unbiased attitude and will avoid conflicts of interest. The internal audit service is not ordinarily authorised to perform any operational duties for the Council.

In the event that internal audit undertakes non-audit activities, safeguards will be agreed to ensure that independence or objectivity of the internal audit activity are not impaired. This might include a separate partner review of the work or a different team undertaking the work. Approval of the arrangements for such engagements will be sought from the Audit Committee prior to commencement.

In the event that internal audit provides assurance services where it had previously performed consulting services, an assessment will be undertaken to confirm that the nature of the consulting activity did not impair objectivity and safeguards will be put in place to manage individual objectivity when assigning resources to the engagement. Such safeguards will be communicated to the Audit Committee.

Internal audit must be free from interference in determining the scope of internal auditing, performing work and communicating results. Should any interference take place, internal audit will disclose this to the Audit Committee to discuss the implications.

INTERNAL AUDIT'S ROLE IN COUNTERING FRAUD, BRIBERY AND CORRUPTION

Management, not internal auditors are responsible for the prevention and detection of fraud, bribery and corruption. Auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption as well as seeking to identify indications that fraud and corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. In the event that internal audit suspects a fraud, this will be referred to appropriate management in the first instance and then the Audit Committee.

ACCESS TO RECORDS AND CONFIDENTIALITY

There are no limitations to internal audit's right of access to Gedling Borough Council officers, records, information, premises, or meetings which it considers necessary to fulfil its responsibilities.

When the auditors receive confidential information about your affairs it shall at all times be kept confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable. All information will be maintained in line with appropriate regulations, for example the Data Protection Act 2018.

COORDINATION AND RELIANCE WITH OTHER ASSURANCE PROVIDERS

In co-ordinating activities internal audit may rely on the work of other assurance and consulting service providers.

A consistent approach is adopted for the basis of reliance and internal audit will consider the competency, objectivity, and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services.

Where reliance is placed upon the work of others, internal audit is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

INTERNAL AUDIT'S COMMITMENTS TO GEDLING BOROUGH COUNCIL

Internal audit commits to the following:

- Working with management to improve risk management, controls and governance within the organisation
- Performing work in accordance with PSIAS
- Complying with the ethical requirements of PSIAS
- Dealing in a professional manner with Council staff, recognising their other commitments and pressures
- Raising issues as they are identified, so there are no surprises and providing practical recommendations
- Liaising with external audit and other regulators to maximise the assurance provided to the Council
- Reporting honestly on performance against targets to the Audit Committee.

INTERNAL AUDIT PERFORMANCE MEASURES AND INDICATORS

The tables below contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The Audit Committee should approve the measures which will be reported to each meeting and / or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

As required by PSIAS, an external assessment of the service will be performed at least every five years. BDO also has an internal quality assurance review process in place, which takes place annually. This is performed by a separate team independent to the internal audit team.

The results of internal and external assessments will be communicated to the Audit Committee as part of the internal audit annual report, along with corrective action plans.

TABLE ONE: PERFORMANCE MEASURES FOR INTERNAL AUDIT

MEASURE / INDICATOR

Audit Coverage

Annual Audit Plan delivered in line with timetable.

Actual days are in accordance with Annual Audit Plan.

Relationships and customer satisfaction

Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit.

Annual survey to Audit Committee to achieve score of at least 70%.

External audit can rely on the work undertaken by internal audit (where planned).

Staffing and Training

At least 60% input from qualified staff.

Audit Reporting

Issuance of draft report within 3 weeks of fieldwork 'closing' meeting.

Finalise internal audit report 1 week after management responses to report are received.

90% recommendations to be accepted by management.

Information is presented in the format requested by the customer.

Audit Quality

High quality documents produced by the auditor that are clear and concise and contain all the information requested.

Positive result from any external review.

MANAGEMENT AND STAFF COMMITMENTS TO INTERNAL AUDIT

The management and staff of Gedling Borough Council commit to the following:

- Providing unrestricted access to all of Gedling Borough Council's records, property, and personnel relevant to the performance of engagements
- Responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- Implementing agreed recommendations within the agreed timeframe
- Being open to internal audit about risks and issues within the organisation
- Not requesting any service from internal audit that would impair its independence or objectivity
- Providing honest and constructive feedback on the performance of internal audit.

MANAGEMENT AND STAFF PERFORMANCE MEASURES AND INDICATORS

The following three indicators are considered good practice performance measures but we go beyond this and report on a suite of measures as included in each Audit Committee Progress Report.

TABLE TWO: PERFORMANCE MEASURES FOR MANAGEMENT AND STAFF

MEASURE / INDICATOR

Response to Reports

Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt.

Implementation of recommendations

Audit sponsor to implement all audit recommendations within the agreed timeframe.

Co-operation with internal audit

Internal audit to confirm to each meeting of the Audit Committee whether appropriate co-operation has been provided by management and staff.

BDO CONTACTS

NAME	GRADE	EMAIL
Greg Rubins	Partner	Greg.Rubins@BDO.co.uk
Gurpreet Dulay	Director	Gurpreet.Dulay@BDO.co.uk
Charlotte Thomas	Assistant Manager	Charlotte.Thomas@BDO.co.uk

FOR MORE INFORMATION:

GREG RUBINS

Greg.Rubins@bdo.co.uk

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

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

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

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

© 2023 BDO LLP. All rights reserved.

www.bdo.co.uk



Report to Audit Committee

Subject: Internal Audit Progress Report

Date: 14 March 2023

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 January 2023 to March 2023.

Recommendation(s):

THAT:

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

1. Background

- 1.1 The Internal Audit Plan for 2022/23 was approved by the Audit Committee on 15 March 2022. The progress report provides a summary update on the reports issued in final by BDO in the period January to March 2023, and highlights associated key findings. 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.

2. Proposal

- 2.1 The BDO Internal Audit Progress Report explains that three internal audit reports have been finalised since 17 January 2023:

Internal Audit Plan 2022/23:

- Cyber Security (presented as a separate exempt report)
- Remote Working

Internal Audit Plan 2021/22:

- Contract Management and Procurement.

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. Appendix

7.1 BDO Internal Audit Progress Report March 2023.

Statutory Officer approval

Approved by the Chief Financial Officer
Date: 6 March 2023

Approved by the Monitoring Officer
Date: 6 March 2023



INTERNAL AUDIT PROGRESS REPORT

Gedling Borough Council

March 2023

CONTENTS

SUMMARY OF 2022/2023 WORK.....	2
REVIEW OF 2022/2023 WORK.....	3
REMOTE WORKING.....	4
CONTRACT MANAGEMENT AND PROCUREMENT.....	7
SECTOR UPDATE	10
KEY PERFORMANCE INDICATORS	12
APPENDIX 1.....	15

SUMMARY OF 2022/2023 WORK

INTERNAL AUDIT

This report is intended to inform the Audit Committee of progress made against the March 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.

2022/2023 INTERNAL AUDIT PLAN

We are now making good progress in the delivery of the March 2023/2023 audit plan, and we are pleased to present the following reports to this Audit Committee meeting:

- ▶ Cyber Security
- ▶ Contract Management and Procurement
- ▶ Remote Working

Please note due to the nature of the review, the detail of the Cyber Security report will be discussed as an exempt item.

The following audit is in reporting stage but not yet finalised and therefore will come to the next Audit Committee:

- ▶ Workforce Strategy.

CHANGES TO THE 2022/2023 INTERNAL AUDIT PLAN

There are no changes at present to this year's plan.



REVIEW OF 2022/2023 WORK

2021/22 Internal Audit Plan:

AUDIT	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Contract Management and Procurement	March 2023	✓	✓	✓	L	M

2022/23 Internal Audit Plan:

AUDIT	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Corporate Governance and Performance	September 2022	✓	✓	✓	M	M
Recruitment and Retention	September 2022	✓	✓	✓	M	M
Building Control and Development Management	December 2022	✓	✓	✓	S	M
Cyber Security	March 2023	✓	✓	✓	M	M
Remote Working	March 2023	✓	✓	✓	S	M
Business Continuity and Emergency Planning	June 2023	✓	✓			
Main Financial Systems	June 2023	✓				
Counter-Fraud and Corruption Strategy	June 2023	✓				
Workforce Strategy	June 2023	✓	✓	✓		
Economic Growth Framework and Partnerships	June 2023	✓				



REMOTE WORKING

CRR REFERENCES:

3. Failure to protect staff, including health & safety issues
4. Failure to recruit and retain staff, and maintaining internal capacity
6. Failure to protect & utilise physical assets
10. Failure to maintain service standards, customer satisfaction, and/or meet customer expectations
11. Failure to prevent damage to the Council's reputation.

Design Opinion



Substantial

Design Effectiveness



Moderate

Recommendations

0

1

2



SCOPE

BACKGROUND

As a result of the pandemic, there has been an increase in employees working remotely at Gedling Borough Council (the Council). Currently, employees at the Council are required to work in the office 40% of the week as per the guidance from the Senior Leadership Team. Mobile Technology allows for members of staff to work from any location and encourages a flexible approach to providing local authority services.

When properly implemented, remote working supports the Council's ability to improve its ways of working and the provision of services to the public. However, it requires appropriate security controls to be deployed to prevent the Council's services from being compromised.

To comply with the health and safety regulations, Service Managers are responsible for completing the appropriate Display Screen Equipment (DSE) assessment to ensure workstations are adequate for individuals. Where required, the user will be issued equipment and technology which can include a monitor screen, keyboard and mouse, chair and desks.

Service Managers are responsible for ensuring the self-assessment forms are completed by employees and ordering the required equipment. For technology, the Service Manager will create an IT service request using the SysAid portal. Once processed, the IT equipment will be issued to the new starter at the Civic Centre.

This review assessed the adequacy of the controls in relation to remote working.

AREAS REVIEWED

The following areas were covered as part of this review:

- ▶ We reviewed the Council's Policy and procedure documents in relation to remote working and self-assessments
- ▶ We examined the September 2021 staff survey results and the actions the Council has made to improve areas which had a low rating
- ▶ We tested a sample of 10 individuals who work remotely to ensure they have completed the correct self-assessment form and equipment/technology has been issued to them
- ▶ We discussed with the responsible service Manager the process at the Council for issuing technology and equipment to individuals and how this is managed
- ▶ We observed how the IT Team use different systems to monitor technology and mobile phone usage compliance.



AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ We reviewed the DSE Policy which provides detailed guidance to Managers on self-assessment forms. The Policy was last updated on 14 January 2021 and is fit for purpose
- ▶ The September 2021 staff survey results contain questions which address staff wellbeing and remote working. The results are reported to the Joint Consultative & Safety Committee and Senior Leadership Team where there is discussion of the issues identified and recommendations for solutions. The Council is proactive and have identified appropriate actions for the recommendations which are assigned to a responsible officer
- ▶ The Council uses three programmes to monitor the technology issued to employees: System Centre Configuration (SCCM) which allows IT to view the primary devices of a user, Helpdesk logon Tracking (SysAid) which records an individuals logs-ons onto devices and Security Event and Incident Management (SEIM) which identifies usage and log-ons. The combination of the systems allow the Council to effectively manage technology which is used remotely
- ▶ When individuals leave the Council, the technology they received during employment must be returned on-site and a member from the IT Team will erase the laptop, which ensures there is a secure disposal arrangement. Smart phones can be wiped remotely by users and the mobile phone guidance documents instruct employees on how to conduct this
- ▶ Microsoft Intune provides live compliance status of mobile phones at the Council. Examples of non-compliance are devices which have not had the required software update or completed a password change. For devices which are not compliant, the system provides the details of the device including the primary UPN (user). Non compliant devices are ones which have not had the required software update or password change. The IT Team regularly review the programmes and email the user to resolve the issue. Review of the systems confirmed it is effective in monitoring mobile phones at the Council.



AREAS OF CONCERN

We found:

- ▶ Our review of 10 remote workers we were unable to obtain three self-assessment forms. In two cases this was because previous managers retained them on their personal files and in one instance the form had not been completed as the individual was employed for a short period of time. We identified a further five exceptions where individuals completed the incorrect self-assessment form. Flexible workers were completing the Fully Agile Combined Assessment Form but the Policy states a DSE Assessment form must be completed too (Finding 1 - Medium)
- ▶ One individual did not complete an Assessment form during their employment at the Council as the individual was employed for a short period of time. In two cases, the Assessment Forms were not completed up to standard as Line Managers did not sign or date the form (Finding 1 - Medium)
- ▶ Discussions with Line Managers identified that the Council does not have a process for managing furniture provided to staff due to this being a rare occasion (Finding 2 - Low)
- ▶ Our review of the Flexible and Agile Working Policy identified it was last reviewed in October 2019 which is prior to the covid-19 pandemic. The Policy outlines how posts are identified as being suitable for flexible and agile working. The Policy does not state the requirement for employees to complete a self-assessment (Finding 3 - Low).



CONCLUSION

Overall, the Council has controls in place to manage remote working. Our review identified that the Council completes a survey every two years which is focused on addressing staff wellbeing and remote working. The results were escalated to the Joint Consultative and Safety Committee and actions were identified to tackle areas which had the lowest rating. However, the council does not have a formal process to manage furniture which has been issued to staff.

Whilst the Council monitors technology issued to staff using live robust systems, our testing identified that employees did not complete the correct self-assessment forms as per the Policy on occasions sampled.

This led us to conclude a moderate assurance over the control effectiveness and substantial assurance on the control design.

CONTRACT MANAGEMENT AND PROCUREMENT

CRR REFERENCES:

7. failure to react to changes in legislation

10. failure to maintain service standards

Design Opinion



Limited

Design Effectiveness



Moderate

Recommendations



SCOPE

BACKGROUND

Gedling Borough Council ('the Council') seeks best value in the awarding of contracts and also to work in partnership with suppliers and other organisations.

In accordance with Council guidelines, invitations to tender are publicised in appropriate places such as relevant newspapers or journals, and Source Nottinghamshire (web portal). Gedling Borough Council is bound by the Public Contract Regulations (PCR) 2015 in order to demonstrate value for money, fair competition and a transparent process.

The Council meeting on 3 March 2022 approved a new version of the Constitution. This included updated Contracts and Procurement Rules intended to be clearer, reflect the post Brexit regime and ensure compliance with Public Contract Regulations. The most significant change was an increase in the level of contracts to be secured through a tender process from £50,000 to £75,000. It was also noted that following the government's Green Paper in respect of procurement there are likely to be some changes to the UK's procurement regime and the introduction of new legislation is expected sometime in 2023. A further review of the Contract and Procurement Rules will be required at this point.

The Procurement service is outsourced to Bolsover District Council on a three-year Service Level Agreement. The original three year Procurement Services contract with Bolsover District Council was due to expire on 31 March 2022 has been extended for a further 12 months to 31 March 2023 with the potential to extend for a further 12 months to 31 March 2024.

For contracts less than £10,000, the Council may seek quotes but where this is deemed impractical, one quote will be requested. For contracts between £10,000 and £75,000 the Council will seek three written quotes. For contracts more than £75,000, the Council will normally seek tenders using a sealed bid process.

After appointment, effective contract management can help achieve value for money in procurement and service delivery, and assist the Council in meeting its medium-term financial plan. As well as financial benefits, good contract management can also strengthen working relationships with key providers, bring improvements in the quantity and/or quality of services, help avoid service failure and encourage better management of risk.

The Council is progressing with the implementation of a contract management module within the InTend Procurement System, including an automated contracts register. A procurement strategy is also in development.

AREAS REVIEWED

- ▶ We obtained and reviewed the policies and procedures in place at the Council for contract management and procurement
- ▶ We tested a sample of procurements to verify that they have been processed according to the Contracts and Procurement Rules along with a sample of contracts to understand what contract management processes are in place for managing them
- ▶ We reviewed the SLA for the outsourced Procurement Team and sought assurance that the contract was operating as expected.

**AREAS OF STRENGTH**

We found the following areas of good practice:

- ▶ The nature of the procurement process to be undertaken will depend on the estimated total value of the contract. When establishing the total value of the contract, the whole life costs and any possible extension periods which may be awarded must be included. The Council's Contracting Rules detail the process per each value banding. We tested a sample of ten current contracts to ensure that they were awarded in line with the rules above with the correct procurement route chosen. No exceptions were noted
- ▶ For each of the Council's suppliers, it is expected that there is a contract in place which correctly outlines the commencement date, contract term, services to be provided, cost, and is signed by both parties. We tested a sample of ten current contracts and found no exceptions to this.

**AREAS OF CONCERN**

During our review, the following findings were noted:

- ▶ Contract Management - of the 10 contracts we reviewed, only two included KPIs and none had formal contract management arrangements in place (High, Finding 1)
- ▶ Service Level Agreement (Bolsover District Council) - The SLA between the Council and Bolsover DC is not monitored through the outlined KPIs (Medium, Finding 2)
- ▶ Contracts Register - The Contracts Register was at the time of testing incomplete. Two high value contracts out of 20, relating to framework contracts, were missing from the Register and the Procurement team had no involvement with them. We found that the Council did not actively monitor this through supplier spend analysis (Medium, Finding 3) N.B that subsequent to our fieldwork the Council have informed us that the Contracts Register has been uploaded to the Council website and has been updated
- ▶ Contracts & Procurement Rules v Procurement Strategy - There are some differences and missing details in the Contracts and Procurement Rules, and draft Procurement Strategy (Medium, Finding 4)
- ▶ Contract Renewal - There is no proactive process to identify contracts that are approaching their end date to ensure contracts are renewed to achieve value for money (Medium, Finding 5)
- ▶ Social Value Policy - When the Policy is developed it should include key areas of information expected around social value to be effective (Medium, Finding 6).

**CONCLUSION**

Overall, the Council has controls in place that are designed to ensure that there are adequate procurement processes which comply with the Council's Constitution and PCR 2015. This includes the arrangements with Bolsover District Council to undertake each procurement project. However, performance of the outsourced function is not formally monitored.

The Council has a Contracts Register in place, which is published publicly on its website. However, further progress needs to be made in ensuring that the Procurement team is sighted on all contracts and that the Register is regularly updated for completeness.

Critically, greater guidance is required for staff regarding ongoing contract management and setting KPIs.

Taken separately, we would conclude a limited opinion on the design and operational effectiveness of controls in relation to contract management, and a moderate opinion in relation to procurement. Therefore, the overall rating is a holistic interpretation of this, resulting in a limited opinion on the design of the system, and a moderate opinion on the operational effectiveness of the system.

SECTOR UPDATE

This briefing 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 senior managers and Members.

COUNCIL EMPLOYEES PAY OFFER ANNOUNCED

Announcing a full and final pay offer for council employees, Chair of the National Employers for local government services, Cllr Sian Goding, said: "Council employees have been offered a pay increase of at least £1,925 from 1 April 2023.

"For the lowest paid (currently earning £20,441 per annum), the offer equates to an increase of 9.42 per cent this year; meaning their pay will have increased by £4,033 (22.0 per cent) over the two years since April 2021. For those on all pay points above the top of the pay spine, an offer of 3.88 per cent has been made.

"The National Employers are acutely aware of the additional pressure this year's offer will place on already hard-pressed council finances, as it would need to be paid for from existing budgets. However, they believe their offer is fair to employees, given the wider economic backdrop."

The National Employers negotiate pay on behalf of 350 local authorities in England, Wales and Northern Ireland that employ around 1.5 million employees.

The total increase to the national paybill resulting from this offer would be £1.093bn (6.42 per cent).

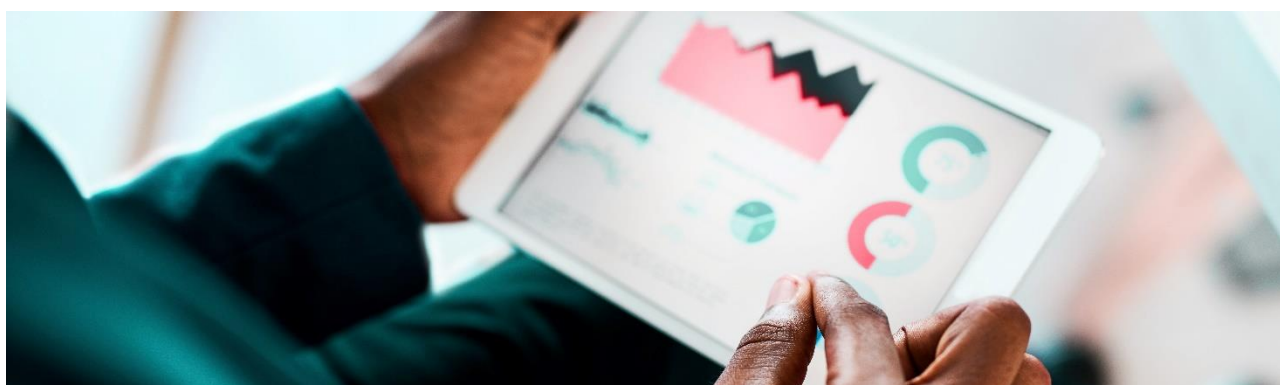
The National Joint Council for local government services negotiates the pay, terms and conditions of staff in local authorities. It agrees an annual uplift to the national pay spine, on which each individual council decides where to place its employees. Each council takes into account a number of factors such as job size and local labour market conditions when deciding an employee's salary. There are no nationally determined jobs or pay grades in local government, unlike in other parts of the public sector.

Separate national pay arrangements apply to teachers, firefighters, chief officers, chief executives and craftworkers.

Council employees' pay offer announced | Local Government Association

FOR INFORMATION

For the Audit Committee Members and Executive Directors



LGA PROUCES LOCAL GOVERNMENT FINANCE CAPACITY AND CAPABILITY STUDY

The issues facing local government finance functions are not unique in terms of recruiting and retaining staff and dealing with the consequences that the COVID-19 pandemic, the cost of living, and economic contraction, are having on their organisations.

There are changes which can be made that will help alleviate some of the current problems over the longer term and collaboration on certain aspects such as sharing sought-after skills and aligning practices on flexible working and market supplements that may help some recruitment and retention issues in the short term.

There are also opportunities for Government and other external bodies to help in terms of alleviating some workload pressures, specifically relating to financial reporting, external audit and grant administration.

However, sufficiency of funding underpins the findings and recommendations and, until that problem is addressed, then it is difficult to see how the growing risks of financial failure across councils, as a result of capacity and capability issues, recede.

Access the full 'Local government finance capacity and capability study' on the Local Partnerships website

[Local government finance capacity and capability study | Local Government Association](#)

FOR INFORMATION

For the Audit Committee Members and Executive Directors

“HEAVY-HANDED” DEBT COLLECTION FUELS ‘MENTAL HEALTH PROBLEMS’

Councils have been urged against “heavy-handed” approaches to debt collection by the associate director of the Joseph Rowntree Foundation.

Helen Barnard was speaking at the District Councils’ Network annual conference on Thursday, where she highlighted the challenges faced by residents who fall behind on their council tax bills.

Ms Barnard stated that most of the debt accrued by residents was owed to central government and local authorities, and stressed the impact heavy-handed debt collection can have on people, while also not increasing the council's income.

She said: “Four and a half million households are getting into debt; they can handle immediate hardship, but they also have a long hangover so even if people are doing a bit better, they are still paying off this debt.

“I want to focus on debt collection. By and large, it’s not consumer debt, it is overwhelmingly debt to national government, or its debt to local government. It’s council tax debt, or its utility company debt.”

She added: “Heavy-handed aggressive debt collection approaches fuel hardship and mental health problems.”

English councils referred around 280,000 households to bailiffs over council tax debt during 2020-21, according to the Observer. And also requested “attachments on benefits” for over 117,000 council taxpayers, deducting money from their benefits to clear arrears.

Ms Barnard's comments come in the wake of research by the BBC that shows councils in England chased over 60,000 adults for unpaid social care last year, taking legal action against 330 people between 2021 and 2022.






Council tax is set to rise across England from April after the government granted local authorities powers to raise the amount by up to 5% without holding a referendum.

[Heavy handed debt collection fuels 'mental health problems' | Local Government Chronicle \(LGC\) \(lgcplus.com\)](#)

FOR INFORMATION

For the Audit Committee Members and Executive Directors

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	We continue to receive largely positive feedback, however we have not received survey responses for all the reviews we have concluded and encourage management to respond so that we can continue to improve	
Completion of audit plan	We are on track with delivering this year's internal audit plan	
Follow-up of recommendations	This is scheduled to be reported at the next Audit Committee.	





SURVEY RESPONSES

Audit Area	Rate our understanding of the Business	Rate our communication	Rate the audit's contribution to adding value	Rate closedown meeting re discussing and agreeing findings	Was the report clear and concise	Agreement with stakeholders obtained prior to distribution	Recommendations constructive and practical?	Did our work add value	Overall audit experience	Would you recommend BDO to others?
22/23	<p>Feedback requested but not yet received, although a positive email note received: "Thank you for circulating your final report which I will share with the Building Control and Development Management Teams. I also wish to place on record my thanks to yourself and Charlotte for an adeptly managed audit. I have received some very positive feedback from staff and will complete the online survey. "</p> <p>Feedback requested but not yet received</p> <p>Feedback requested but not yet received</p>									
Building Control & Development Management										
Recruitment and Retention										
Cyber Security										
Corporate Governance and Performance	3	4	4	4	Agree	Disagree	Agree	Strongly Agree	3	Yes
21/22										
IT Architecture	4	5	5	5	Strongly Agree	Strongly Agree	Strongly agree	Strongly agree	5	Yes
GBC - Main Financial Systems	4	5	4	5	Strongly Agree	Strongly Agree	Strongly agree	Strongly agree	5	Yes
Main Financial Systems	5	4	5	5	Strongly Agree	Agree	Strongly agree	Strongly agree	5	Yes
GBC - Taxi Licencing	4	4	4	4	Strongly Agree	Agree	Agree	Strongly agree	4	Yes
Homelessness & Temporary Accommodation Audit Report	4	5	4	4	Agree	Agree	Agree	Strongly agree	4	Yes
Risk Maturity	4	5	5	5	Strongly Agree	Strongly Agree	Strongly agree	Agree	5	Yes
Health and Safety	3	4	3	4	Agree	Agree	Disagree	Strongly agree	3	Yes
Corporate Project Management	4	4	4	4	Strongly Agree	Agree	Agree	Agree	4	Yes
20/21										
Council Tax and NNDR October 2020	4	5	4	5	Agree	Strongly Agree	Strongly agree	Agree	5	Yes
Sickness Absence and Management	4	5	5	5	Strongly Agree	Strongly Agree	Strongly agree	Strongly agree	5	Yes
Average	4	4.5	4	4.5					4	Yes




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

APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

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

RECOMMENDATION SIGNIFICANCE DEFINITION

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

FOR MORE INFORMATION:

GURPREET DULAY

+44 (0)787 055 5214
Gurpreet.Dulay@bdo.co.uk

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

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

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

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

© March 2023 BDO LLP. All rights reserved.

www.bdo.co.uk

This page is intentionally left blank



GEDLING BOROUGH COUNCIL

INTERNAL AUDIT REPORT

PROCUREMENT AND CONTRACT MANAGEMENT
MARCH 2023

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Limited	Moderate

CONTENTS

EXECUTIVE SUMMARY	2
DETAILED FINDINGS	5
STAFF INTERVIEWED	ERROR! BOOKMARK NOT DEFINED.
APPENDIX I - CONTRACTS TESTED	ERROR! BOOKMARK NOT DEFINED.
APPENDIX II - DEFINITIONS	16
APPENDIX III - TERMS OF REFERENCE.....	17

DISTRIBUTION

Name	Job Title
Alison Ball	Corporate Director of Resources & Section 151 Officer
Paul Adcock	Head of Finance and ICT

REPORT STATUS LIST

Auditors:	Kate Ball, Manager Gurpreet Dulay, Director
Dates work performed:	4 January - 14 February 2022
Draft report issued:	21 April 2022
Final report issued:	2 March 2023

EXECUTIVE SUMMARY**LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)**

Design	Limited	System of internal controls is weakened with system objectives at risk of not being achieved.
Effectiveness	Moderate	Evidence of non compliance with some controls, that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	1
Medium	4
Low	0

TOTAL NUMBER OF RECOMMENDATIONS:5**CRR REFERENCE:**

Risk 1: failure to prevent budget overheating once the budget has been set

Risk 2: failure to maintain financial integrity

Risk 8: failure of contractors or partnership arrangements - contractual breaches

BACKGROUND:

Gedling Borough Council ('the Council') seeks best value in the awarding of contracts and also to work in partnership with suppliers and other organisations.

In accordance with Council guidelines, invitations to tender are publicised in appropriate places such as relevant newspapers or journals, and Source Nottinghamshire (web portal). Gedling Borough Council is bound by the Public Contract Regulations (PCR) 2015 in order to demonstrate value for money, fair competition and a transparent process.

The Council meeting on 3 March 2022 approved a new version of the Constitution. This included updated Contracts and Procurement Rules intended to be clearer, reflect the post Brexit regime and ensure compliance with Public Contract Regulations. The most significant change was an increase in the level of contracts to be secured through a tender process from £50,000 to £75,000. It was also noted that following the government's Green Paper in respect of procurement there are likely to be some changes to the UK's procurement regime and the introduction of new legislation is expected sometime in 2023. A further review of the Contract and Procurement Rules will be required at this point.

The Procurement service is outsourced to Bolsover District Council on a three-year Service Level Agreement. The original three year Procurement Services contract with Bolsover District Council was due to expire on 31 March 2022 has been extended for a further 12 months to 31 March 2023 with the potential to extend for a further 12 months to 31 March 2024.

For contracts less than £10,000, the Council may seek quotes but where this is deemed

impractical, one quote will be requested. For contracts between £10,000 and £75,000 the Council will seek three written quotes. For contracts more than £75,000, the Council will normally seek tenders using a sealed bid process.

After appointment, effective contract management can help achieve value for money in procurement and service delivery, and assist the Council in meeting its medium-term financial plan. As well as financial benefits, good contract management can also strengthen working relationships with key providers, bring improvements in the quantity and/or quality of services, help avoid service failure and encourage better management of risk.

A procurement strategy is currently in development.

GOOD PRACTICE:

The following areas of good practice have been identified:

- The nature of the procurement process to be undertaken will depend on the estimated total value of the contract. When establishing the total value of the contract, the whole life costs and any possible extension periods which may be awarded must be included. The Council's Contracting Rules detail the process per each value banding. We tested a sample of ten current contracts to ensure that they were awarded in line with the rules above with the correct procurement route chosen. No exceptions were noted
- For each of the Council's suppliers, it is expected that there is a contract in place which correctly outlines the commencement date, contract term, services to be provided, cost, and is signed by both parties. We tested a sample of ten current contracts and found no exceptions to this.

KEY FINDINGS:

We found the following:

- Contract Management - of the 10 contracts we reviewed, only two included KPIs and none had formal contract management arrangements in place (High, Finding 1)
- Service Level Agreement (Bolsover District Council) - The SLA between the Council and Bolsover DC is not monitored through the outlined KPIs (Medium, Finding 2)
- Contracts Register - The Contracts Register was at the time of testing incomplete. Two high value contracts out of 20, relating to framework contracts, were missing from the Register and the Procurement team had no involvement with them. We found that the Council did not actively monitor this through supplier spend analysis (Medium, Finding 3)

N.B that subsequent to our fieldwork the Council have informed us that the Contracts Register has been uploaded to the Council website and has been updated

- Contracts & Procurement Rules v Procurement Strategy - There are some differences and missing details in the Contracts and Procurement Rules, and draft Procurement Strategy (Medium, Finding 4)
- Contract Renewal - There is no proactive process to identify contracts that are approaching their end date to ensure contracts are renewed to achieve value for money (Medium, Finding 5)
- Social Value Policy - When the Policy is developed it should include key areas of information expected around social value to be effective (Medium, Finding 6).

•

CONCLUSION:

Overall, the Council has controls in place that are designed to ensure that there are adequate procurement processes which comply with the Council's Constitution and PCR 2015. This includes the arrangements with Bolsover District Council to undertake each procurement project. However, performance of the outsourced function is not formally monitored.

The Council has a Contracts Register in place, which is published publicly on its website. However, further progress needs to be made in ensuring that the Procurement team is sighted on all contracts and that the Register is regularly updated for completeness. Critically, greater guidance is required for staff regarding ongoing contract management and setting KPIs.

Taken separately, we would conclude a limited opinion on the design and operational effectiveness of controls in relation to contract management, and a moderate opinion in relation to procurement. Therefore, the overall rating is a holistic interpretation of this, resulting in a limited opinion on the design of the system, and a moderate opinion on the operational effectiveness of the system.

DETAILED FINDINGS

RISK: CONTRACT PERFORMANCE IS NOT SUBJECT TO EFFECTIVE SCRUTINY AND OVERSIGHT BY MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

Ref	Significance	Finding
1	High	<p><u>Contract Management</u></p> <p>Per the Council's Constitution, "where relevant, all written contracts should also include the following additional contract requirements: contract management and KPIs." However, there is no indication of how 'where relevant' is defined and implemented.</p> <p>There is no documented guidance for Officers regarding how frequently contract management should be occurring; or the need for KPIs to be included within a contract to effectively assess performance.</p> <p>We tested a sample of ten current contracts and found that:</p> <ul style="list-style-type: none"> No formal contract management arrangements are in place for any of the ten contracts, with the relevant officers not meeting with suppliers to formally discuss performance. This meant that there were no meeting minutes or action plans to review to ascertain whether the appropriate contract management discussions are taking place as per the contracts. Whilst COVID-19 did have an impact on the Council re-prioritising tasks, contract management at some level should still have continued. It is noted that verbal communication continued with some of the suppliers during this time, but this did not always include contract management or performance monitoring One contract did not outline any contract management processes that the Council should implement throughout the contract term Only two contracts included KPIs. However, one contract only had a singular KPI, and the second contract's KPIs were not SMART and did not have targets assigned. It was further found that neither of these contracts had any evidence of performance being measured against these KPIs Seven contracts outlined appropriate escalation processes for instances of poor performance. However, as there was no reporting against performance, we could not review if actions had been taken as required and in a timely manner. <p>See Appendix I for the details of the ten contracts tested and the exceptions above.</p> <p>A lack of proactive contract management and performance reporting increases the risk of the Council being involved in contracts that are not benefiting the Council.</p>

RECOMMENDATION:

The Council should:

- Create and disseminate to all Officers adequate guidance on contract management, including what form this should take, its frequency, and internal routes of escalation. It should also include details of how contracts procured by partners on behalf of the Council are recorded in the Contracts Register (ie that, per the Terberg Matec contract detailed in Finding 3, the contract is not recorded however anything procured under the framework by the Council is recorded).
- Ensure this guidance is adequately reflected in the Strategy
- Provide examples of the nature of contracts for which a suite of KPIs should be a requirement
- Provide guidance/training on how to create KPIs that are SMART.

MANAGEMENT RESPONSE:

Recommendation agreed.

A Contract Management Guidance document will be created and added to the section on Procurement on the intranet. This will incorporate some of the examples of best practice on contract management referenced in the BDO review of Commercialisation in June 2021 along with ensuring that contract management is suitable for the context, is of the right frequency and that escalation routes are clarified.

The Contract Management Guidance will cover the importance of having appropriate key performance indicators (KPIs) based upon SMART criteria.

Contract management will also form part of the training that the Procurement Team will be looking to deliver to staff in the coming months.

Responsible Officer: Head of Finance and ICT

Implementation Date: 30 September 2023

DETAILED FINDINGS

RISK: THE SLA WITH BOLSOVER DISTRICT COUNCIL IS NOT MONITORED AND POOR PERFORMANCE IS NOT ADDRESSED

Ref	Significance	Finding
-----	--------------	---------

2

Medium

Service Level Agreement - Bolsover District Council

The Procurement function is outsourced to Bolsover District Council on a three-year Service Level Agreement (SLA) which was due for renewal in March 2022; this has been extended for an initial further twelve months to 31 March 2023.

We reviewed the SLA and found that performance should be measured against a set of Key Performance Indicators (KPIs). In addition, the provider should furnish monthly management reports summarising the achieved KPIs which are listed below:

- Maintain and publish the contracts register
- Ensure all procurement activity is compliant with all relevant legislation and the Authority's contract standing orders
- Respond to Provider's project pre-assessment service requests in a timely manner
- Ensure buyer satisfaction with the service is positive
- Ensure service accessibility to the Authority's buyers
- Produce management reports detailing delivery against workplan and saving achieved against budget.

In addition, the Council's previous Procurement Strategy set out several KPIs which are to be discussed and agreed with Bolsover District Council. Through our discussions with the Head of Finance and ICT, and the Procurement Manager, we found that the Council do not monitor progress against the indicators noted above. It is noted that a monthly status report is provided to the Head of Finance and ICT, alongside a weekly update. The status report provides details of the number of procurement projects which have been undertaken and completed, with the routes to market, and an update on any high-value or key Council contracts. It does not however present a breakdown of the cost and nature of all procurements

The Council's current strategy document for 2021-2026 does not make reference to how the performance of the Procurement Team will be measured and monitored. Whilst the KPIs detailed are more effective to measure performance, a target value is not established for each KPI.

A lack of formal performance monitoring against the contract could result in a heightened risk of poor service being received by the Council.

RECOMMENDATION:

- a. Prior to the SLA being reviewed, the Council should review the included KPIs and assess if they are SMART (specific, measurable, attainable, realistic, time-bound), or suggest appropriate alternatives
- b. For each KPI, an appropriate target should be set and agreed with Bolsover District Council
- c. The Procurement Strategy should detail how the performance of the Procurement Team will be measured and monitored
- d. Monthly or quarterly performance against the KPIs should be reported, and where performance is below-target, appropriate steps should be taken to rectify this
- e. A satisfaction survey should be sent to Officers involved in a procurement process, on

a bi-annual basis to actively receive feedback.

MANAGEMENT RESPONSE:

Recommendation agreed.

The existing SLA already contains a number of agreed KPIs and these should be captured and reported in the monthly status reports provided by the Procurement Team. Consideration will be given to any additional KPIs that could be included (including their frequency) and, if agreed, ensure that they fulfil SMART criteria.

Given that the Procurement Service Contract is now in its fourth year with the potential for it to be extended for a further twelve month period, a survey of departments will be conducted to obtain views as to how the service is operating from their perspective and how it can be strengthened with view to enhancing both current performance and informing discussions about to proceed once this contract ends.

Responsible Officer: Head of Finance and ICT

Implementation Date: 30 September 2023

DETAILED FINDINGS

RISK: THE COUNCIL IS NOT AWARE OF THE LEVEL OF SUPPLIER SPEND THEREFORE POTENTIAL FOR AGGREGATED SUPPLIER SPEND TO EXCEED COUNCIL CONTRACTING RULES AND PCR 2015

Ref	Significance	Finding
-----	--------------	---------

3

Medium

Contracts Register

The Council has a Contracts Register which includes details of all contracts that are of value £10,000 and above.

As best practice the Council should also undertake analysis of annual aggregate supplier spend and reconcile this to the Contracts Register to assess for completeness. However, the Council does not currently perform this analysis.

For the purposes of this audit, the Council's Finance department created a report which showed all paid supplier invoices from April to September 2021. We reviewed the top 20 highest paid suppliers, and reconciled these to the Contracts Register to assess if a procurement process had been undertaken.

Two suppliers did not reconcile: Certas Energy (total value: £182,555.07 and Terberg Matec (total value: 414,256.12). These are both framework contracts where the Council is not the lead authority. Since the conclusion of the audit we found that it is now Council policy to not include details of contracts jointly procured where the Council is not the lead authority on the Contracts Register, to avoid double counting. Any call offs on such contracts by the Council however will be documented. We are therefore not raising a finding to ensure that Terberg Matec contract is on the Contracts Register, unless any call-offs are made.

Per the SLA with Bolsover District Council (BDC), BDC is responsible for ensuring all procurement is compliant with relevant and current legislation, and it is responsible for maintaining the Contracts Register. Therefore all procurements should go through BDC. In practice however if a procurement process is undertaken by officers without the Procurement Team being notified, it is not recorded on the Contracts Register. The Register was therefore incomplete at the time of review.

The Register should be available on the Council's website and updated quarterly. At the time of audit it was out-of-date and had not been updated since September 2021 which is longer than a quarter (N.B post our fieldwork we were informed that the Contracts Register has been brought up to date as of 31 May 2022 and again on 15 August 2022 and most recently, the 19 October 2022). However, the Terberg Matec contract had still not been included on the register.

Failure to use and communicate with the Procurement team increases the risk of the Council failing to obtain value for money from its suppliers and update the Register. If the Contracts Register is incomplete or out of date, management may not be fully aware of all the contracts held within the Council and the integrity of the published contracts register is undermined.

RECOMMENDATION:

- a. The Council should run a supplier spend report for 1 April 2021 to 31 March 2022 and review the aggregate spend for all suppliers with expenditure greater than £10,000. This should be completed on an annual basis with appropriate action taken to ensure compliance with Council procurement rules

- b. All procurements over £10,000 should go through the Procurement team and officers should be reminded via email of this requirement
- c. The Contracts Register should be updated quarterly and published on the Council's website.

All recommendations are agreed.

A - A supplier spend analysis similar to that undertaken for this review will be undertaken on an annual basis to ensure compliance with the Council's Procurement and Contract Rules.

Responsible Officer: Financial Services Manager

Implementation Date: 30 September 2023 and then 30 June for subsequent years.

B - A reminder to all staff of the requirement for all procurement processes to go through the Procurement Team will be put on the intranet and included in appropriate all staff bulletins issued by the Corporate Communications team on a quarterly basis.

Responsible Officer: Head of Finance and ICT

Implementation Date: 30 September 2023

C - All quarterly publications of the Contracts Register will be accompanied by communications to Heads of Service and other senior officers that they need to review this and provide details of contracts that may have been omitted so that they can be subsequently included.

Responsible Officer: Head of Finance and ICT

Implementation Date: 31 December 2022

Audit Comment: This has been implemented as of October 2022

DETAILED FINDINGS

RISK: THE COUNCIL'S CONTRACTING RULES DO NOT PROVIDE CLARITY ON PROCUREMENT AND CONTRACT MANAGEMENT REQUIREMENTS

Ref	Significance	Finding
4	Medium	<p><u>Procurement Strategy</u></p> <p>The Council is drafting its Procurement Strategy, and at the time of audit, some inconsistencies between this document and the Contracts and Procurement Rules were found, the most significant being procurement thresholds. However, we note that this has been</p>

addressed since the audit, and the Rules have now been updated to state that the quotation threshold has been increased from £50,000 to £75,000, matching the Strategy. We note though that the Rules have not been updated to reflect the statutory thresholds.

The Strategy includes a Social Value Policy as an appendix. We reviewed this policy and benchmarked to the arrangements we see across local government. Considerations for inclusion in the Policy are:

- Whether an annual report will be created
- How the Council will capture the value they are obtaining
- How the value obtained would be monitored
- How compliance with the policy will be monitored
- How the policy links to the Council's corporate objectives/priorities.

Inconsistent or incomplete guidance could increase the risk of non-compliant procurement processes across the Council.

RECOMMENDATION:

- a. The Council should review and update both documents to ensure they are consistent with each other and relevant legislation
- b. The Council should complete, approve and finalise its Procurement Strategy as soon as possible
- c. The Council should ensure the Social Value Policy includes the above areas
- d. The responsibility of ensuring that committed social value benefits are delivered should be included within the contract management guidance per Finding 2
- e. The Procurement Strategy should be finalised, approved by Cabinet, published and communicated to officers to raise awareness.

The following link could be used to support the development of a Council Social Value Policy.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/940827/Guide-to-using-the-Social-Value-Model-Edn-1.1-3-Dec-20.pdf

MANAGEMENT RESPONSE:

Agreed. We will be providing a draft to SLT by 31 March 2023 with the intention that it then goes forward to Cabinet for approval subsequently.

Responsible Officer: Head of Finance and ICT

Implementation Date: 30 September 2023

DETAILED FINDINGS

RISK: CONTRACT RENEWAL PROCESSES ARE NOT SUFFICIENTLY ROBUST, LEADING TO REACTIVE NEGOTIATIONS WITH PROVIDERS

Ref	Significance	Finding
5	Medium	<p><u>Contract Renewal</u></p> <p>Contract managers are responsible for ensuring that they monitor their own contracts and any renewals. They can do this by monitoring the Contracts Register which is maintained by the Procurement Team.</p> <p>In addition, the SLA with Boleston District Council states that the Procurement Team should have a workplan which at a minimum includes known contract renewals for that financial year. This provides assurance that there is a centralised process for monitoring all contracts, supporting the responsibilities of contract managers. Through our discussion with the Procurement Team, we found that there is currently no formal, centralised process for tracking contracts that may be renewed. It is a reactive process which could result in the Council not achieving value for money. The Procurement team does not report specifically on contracts renewal to the Council. We obtained a copy of the workplan spreadsheet which contains details of all projects that they have been involved with. This workplan is currently in the process of being updated to reflect the need to have a more proactive renewal process but at the time of audit it does not proactively identify renewals.</p> <p>If contracts are not renewed in a timely manner, this increases the risk of not having a valid contract in place for a service, and/or not achieving value for money.</p>

RECOMMENDATION:

- a. Contract Managers should ensure accurate contract renewal information is included in the Contracts Register, and proactively monitor their contracts with respect to renewal.
- b. The Procurement team should report on its monitoring of contract renewals via its workplan on a monthly basis.

MANAGEMENT RESPONSE:

Agreed. The Procurement Team will continue to establish contract renewal dates in their workplan to ensure an efficient contract renewal process. This will be supplemented by the quarterly publication of the updated Contracts Register which will also contain details of contract end dates and when consideration should be given to commencing a contract renewal process.

Responsible Officer: Head of Finance and ICT

Implementation Date: 30 September 2023

STAFF INTERVIEWED

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

Name	Job Title
Paul Adcock	Head of Finance and ICT
Sandy Williams	Procurement Manager (Bolsover District Council)
Joan Talbot	Procurement Officer (Bolsover District Council)
Andrew Solley	Head of Revenues
Kate Morris	Leisure Business Strategy Manager
Johann Polak	Fitness Promotions Officer

APPENDIX I - CONTRACTS TESTED

SUPPLIER NAME	CONTRACT COMMODITY	TOTAL CONTRACT VALUE	DOES CONTRACT OUTLINE A CONTRACT MANAGEMENT PROCESS?	DOES CONTRACT MANAGEMENT TAKE PLACE?	DOES CONTRACT INCLUDE KPIS?
Boditrax Technologies Ltd	Purchase of two Boditrax machines with five year inclusive warranty, staff training, and three year software licence	£17,592	No	No	Yes - one KPI
Thomson Reuters (Professional) UK Ltd	Legal Resources - Practical Law and Westlaw online services	£20,359	N/A. There is no performance monitoring as the contract is for an online subscription.		
Bruton Knowles LLP	Advise the council and negotiate a collaboration agreement for the sale of the comprehensive development site at Killisick Arnold	£9,999	Yes	No	No
Calluna Associates Ltd	Professional services contract for the provision of small business advisor services	£19,584	Yes	No	Yes - but KPIs are not SMART and do not have targets set
Buk Solutions Ltd	Supply, installation and maintenance of replacement sound system	£40,499	Yes	No	No
Zurich Municipal	Engineering inspection contract and insurance policy	£19,592	Yes	No	No
KPR Midlink Ltd	Supply, installation and maintenance of Kompact Kiosk	£13,456	Yes	N/A	N/A
Marstons Holdings Ltd	Enforcement Agent and Debt Collection services	£3,019,400	Yes	No	No
Frontline Recruitment Nottingham Ltd	Provision of agency staff for PASC and Waste & Transport services	£1,200,000	Yes	No	No
Central Security Systems Limited	CCTV Equipment - Cleaning & Maintenance Contract	£10,300 per annum	Yes	No	No

APPENDIX II - DEFINITIONS

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

RECOMMENDATION SIGNIFICANCE

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

APPENDIX III - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of the audit is to provide assurance over key governance processes for procurement and contract management at the Council. This review will include selecting a sample of significant contracts and ensuring they were appropriately procured and managed.

KEY RISKS:

- The Council's Contracting Rules do not provide clarity on procurement and contract management requirements
- Appropriate procurement processes are not in place across the Council leading to supplier spend which cannot evidence value for money
- The Council is not aware of the level of supplier spend therefore potential for aggregated supplier spend to exceed Council Contracting Rules and PCR 2015
- Signed contracts with the Council's suppliers are not in place therefore no assurance that the terms and conditions of the contract are acceptable to the Council
- Contract performance is not subject to effective scrutiny and oversight by management and those charged with governance
- Contract renewal processes are not sufficiently robust, leading to reactive negotiations with providers
- The SLA with Bolsover District Council is not monitored and poor performance is not addressed.

SCOPE OF REVIEW:

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

- Review the Council's Contracting Rules in place and ensure they provide clarity on procurement and contract management requirements, and are in accordance with the Public Contract Regulations 2015
- Review a sample of suppliers and ensure that they have been awarded the contract in line with the Contracting Rules and the PCR (2015) or a waiver has been signed
- Review the processes in place to assess annual supplier spend to ensure that all spend in excess of the Council's agreed limits (and regulations) are included within a contract and have been appropriately procured
- Sample a number of suppliers and ensure there are signed contracts in place, signed by both parties and are currently in date
- Sample a number of high value contracts across different departments and assess whether contract management meetings are in place in line with Council policy.
- Review meeting minutes and ensure actions arising from the meetings have been followed up, escalated where necessary and signed off
- Review key performance information in place as part of the contracts. Sample a number of contracts and ensure the agreed KPIs are reported as per contract terms. Where the supplier is not performing, review the escalation processes and resulting action
- Procedures to facilitate the appropriate and timely renewal of existing contracts
- Review whether the performance measures as detailed within the background section are measured. Assess if the KPIs are achieved and if not, how are actions taken to address poor performance.
- However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

FOR MORE INFORMATION:

Gurpreet Dulay

Gurpreet.Dulay@bdo.co.uk

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

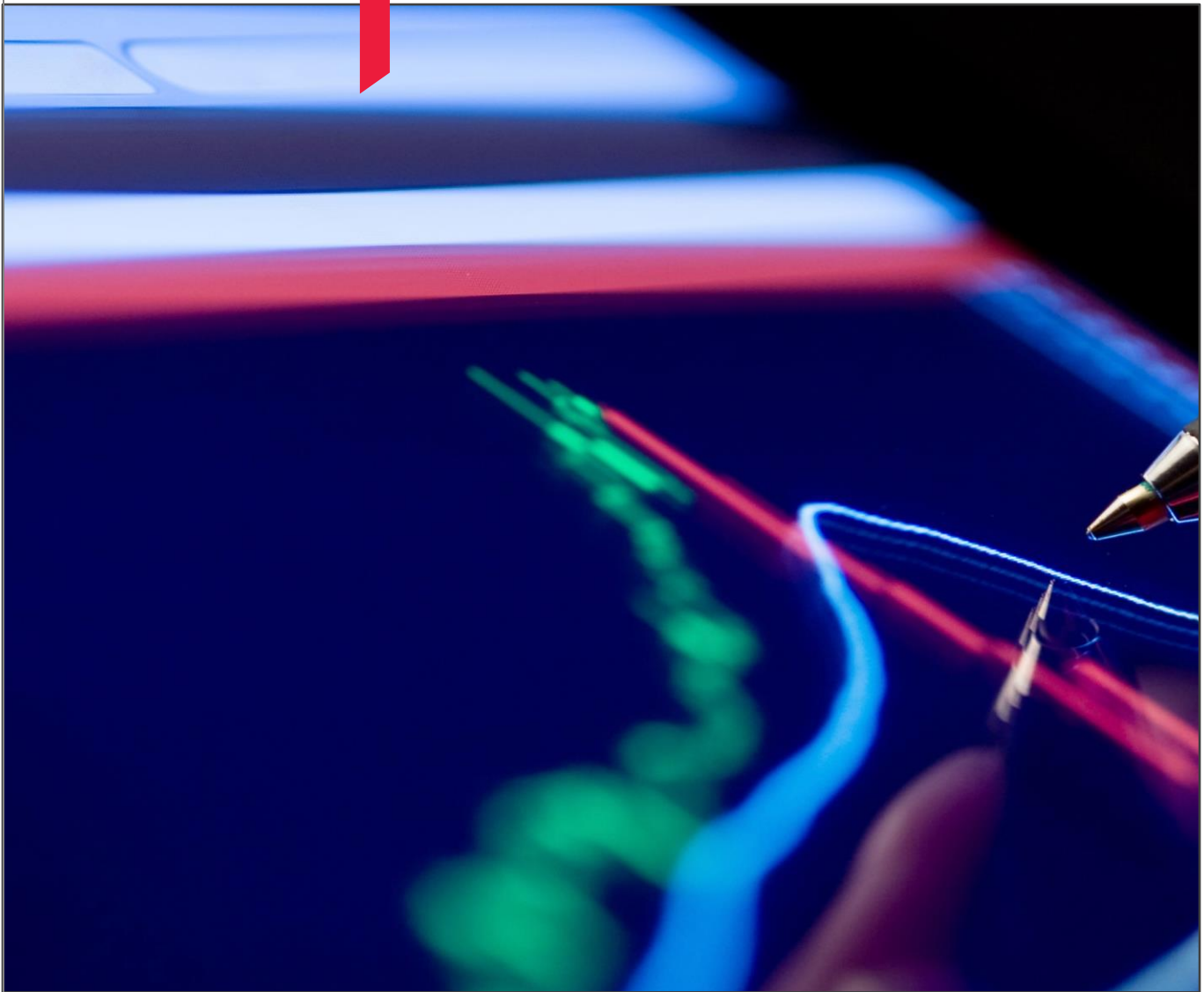
BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at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

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

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

Copyright ©2022 BDO LLP. All rights reserved.



This page is intentionally left blank



GEDLING BOROUGH COUNCIL

INTERNAL AUDIT REPORT - DRAFT

REMOTE WORKING REVIEW
DECEMBER 2022

Design Opinion	 Substantial
Design Effectiveness	 Moderate

CONTENTS

EXECUTIVE SUMMARY	2
DETAILED FINDINGS	5
OBSERVATIONS	10
APPENDIX I - DEFINITIONS.....	11
APPENDIX II - TERMS OF REFERENCE	12

DISTRIBUTION

Mike Hill	Chief Executive Officer
Alison Ball	Director of Corporate Resources
Paul Adcock	Head of Finance and ICT

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

REPORT STATUS

Auditors:	Gurpreet Dulay - Director Charlotte Thomas - Assistant Manager Azra Patel - Internal Auditor
Dates work performed:	9 August 2022 - 1 November 2022
Draft report issued:	6 December 2022
Final report issued:	31 January 2023

EXECUTIVE SUMMARY

CRR REFERENCE:

3. Failure to protect staff, including health & safety issues
4. Failure to recruit and retain staff, and maintaining internal capacity
6. Failure to protect & utilise physical assets
10. Failure to maintain service standards, customer satisfaction, and/or meet customer expectations
11. Failure to prevent damage to the Council's reputation.

Design Opinion



Substantial

Design
Effectiveness

Moderate

Recommendations



SCOPE

BACKGROUND

As a result of the pandemic, there has been an increase in employees working remotely at Gedling Borough Council (the Council). Currently, employees at the Council are required to work in the office 40% of the week as per the guidance from the Senior Leadership Team. Mobile Technology allows for members of staff to work from any location and encourages a flexible approach to providing local authority services.

When properly implemented, remote working supports the Council's ability to improve its ways of working and the provision of services to the public. However, it requires appropriate security controls to be deployed to prevent the Council's services from being compromised.

To comply with the health and safety regulations, Service Managers are responsible for completing the appropriate Display Screen Equipment (DSE) assessment to ensure workstations are adequate for individuals. Where required, the user will be issued equipment and technology which can include a monitor screen, keyboard and mouse, chair and desks.

Service Managers are responsible for ensuring the self-assessment forms are completed by employees and ordering the required equipment. For technology, the Service Manager will create an IT service request using the SysAid portal. Once processed, the IT equipment will be issued to the new starter at the Civic Centre.

This review assessed the adequacy of the controls in relation to remote working.

AREAS REVIEWED

The following areas were covered as part of this review:

- ▶ We reviewed the Council's Policy and procedure documents in relation to remote working and self-assessments
- ▶ We examined the September 2021 staff survey results and the actions the Council has made to improve areas which had a low rating
- ▶ We tested a sample of 10 individuals who work remotely to ensure they have completed the correct self-assessment form and equipment/technology has been issued to them

- ▶ We discussed with the responsible service Manager the process at the Council for issuing technology and equipment to individuals and how this is managed
- ▶ We observed how the IT Team use different systems to monitor technology and mobile phone usage compliance.



AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ We reviewed the DSE Policy which provides detailed guidance to Managers on self-assessment forms. The Policy was last updated on 14 January 2021 and is fit for purpose
- ▶ The September 2021 staff survey results contain questions which address staff wellbeing and remote working. The results are reported to the Joint Consultative & Safety Committee and Senior Leadership Team where there is discussion of the issues identified and recommendations for solutions. The Council is proactive and have identified appropriate actions for the recommendations which are assigned to a responsible officer
- ▶ The Council uses three programmes to monitor the technology issued to employees: System Centre Configuration (SCCM) which allows IT to view the primary devices of a user, Helpdesk logon Tracking (SysAid) which records an individuals logs-ons onto devices and Security Event and Incident Management (SEIM) which identifies usage and log-ons. The combination of the systems allow the Council to effectively manage technology which is used remotely
- ▶ When individuals leave the Council, the technology they received during employment must be returned on-site and a member from the IT Team will erase the laptop, which ensures there is a secure disposal arrangement. Smart phones can be wiped remotely by users and the mobile phone guidance documents instruct employees on how to conduct this
- ▶ Microsoft Intune provides live compliance status of mobile phones at the Council. Examples of non-compliance are devices which have not had the required software update or completed a password change. For devices which are not compliant, the system provides the details of the device including the primary UPN (user). Non compliant devices are ones which have not had the required software update or password change. The IT Team regularly review the programmes and email the user to resolve the issue. Review of the systems confirmed it is effective in monitoring mobile phones at the Council.



AREAS OF CONCERN

We found:

- ▶ Our review of 10 remote workers we were unable to obtain three self-assessment forms. In two cases this was because previous managers retained them on their personal files and in one instance the form had not been completed as the individual was employed for a short period of time. We identified a further five exceptions where individuals completed the incorrect self-assessment form. Flexible workers were completing the Fully Agile Combined Assessment Form but the Policy states a DSE Assessment form must be completed too (see Finding 1 - Medium)

- ▶ One individual did not complete an Assessment form during their employment at the Council as the individual was employed for a short period of time. In two cases, the Assessment Forms were not completed up to standard as Line Managers did not sign or date the form (see Finding 1 - Medium)
- ▶ Discussions with Line Managers identified that the Council does not have a process for managing furniture provided to staff due to this being a rare occasion (see Finding 2 - Low)
- ▶ Our review of the Flexible and Agile Working Policy identified it was last reviewed in October 2019 which is prior to the covid-19 pandemic. The Policy outlines how posts are identified as being suitable for flexible and agile working. The Policy does not state the requirement for employees to complete a self-assessment (see Finding 3 - Low).



CONCLUSION

Overall, the Council has controls in place to manage remote working. Our review identified that the Council completes a survey every two years which is focused on addressing staff wellbeing and remote working. The results were escalated to the Joint Consultative and Safety Committee and actions were identified to tackle areas which had the lowest rating. However, the council does not have a formal process to manage furniture which has been issued to staff.

Whilst the Council monitors technology issued to staff using live robust systems, our testing identified that employees did not complete the correct self-assessment forms as per the Policy on occasions sampled.

This led us to conclude a moderate assurance over the control effectiveness and substantial assurance on the control design.

DETAILED FINDINGS

1 FINDING TITLE	
TOR Risk:	APPROPRIATE ERGONOMIC FURNITURE AND REQUIRED TECHNOLOGY HAS NOT BEEN MADE AVAILABLE TO ALL MEMBERS OF STAFF
Significance	 Medium



FINDING

All individuals which utilise a DSE workstation which includes a screen, keyboard, other computer accessories, desk and chair must complete a self-assessment form prior to their employment starting. The incompleteness of the self-assessment forms may result in employees not being issued the appropriate equipment to conduct their work or potentially having a health and safety risk within their work environment.

When individuals require equipment, this is raised through completion of a self-assessment form which is reported to the Service Manager/Line Manager within their area. Where no issues are identified, the Manager will order the equipment as required. When issues are identified that require specialist equipment, the Service Manager will report this to the Council's Health and Safety Officer who will decide if additional equipment will be provided. Once the Health and Safety Officer approves the request, the Service Manager will order and issue the equipment to the employee.

Depending on if an individual works fully remote or in the office, different self-assessment forms will need to be completed:

- DSE self-assessment - completed by office-based workers on their main workstation
- Fully Agile Combined Assessment - Home Workers based on their home workstation
- Flexible workers who work in a mixture of both the office and at home - will be required to complete both.

The difference between the two self-assessment forms is the Fully Agile Combined Assessment form contains a series of extra questions relating to hazards in the following areas:

- Slip, trip and fall hazards
- Falling object hazards
- Electrical hazards
- Substance related
- Fire
- Manual Handling and workstation
- Security
- Accidents, incidents, first aid, fire and emergency/training.

As the Council remain responsible for managing and controlling employee's work activities it is important that individuals complete the correct forms to notify Managers if workstations are not safe.

Separate risk assessments are completed in addition to the self-assessment form but is only required under certain circumstances. Situations include when an individual is working from home and they display health issues such as having a sprained ankle which would affect their mobility. These risk assessment forms are uploaded onto Assessnet for Managers to access.

We tested a sample of 10 individuals who currently work remotely and identified the following:

- Five individuals completed the wrong self-assessment form per the Policy. For example, completing a DSE assessment form instead of the Fully Agile Combined Assessment form when the individual works remotely (POST ID FRO05J, POST ID FRO07B, POST ID LZD19D, POST ID MDS01 & POST ID CSH08). Completing the incorrect self-assessment form creates a health and safety risk as the DSE self-assessment does not contain the additional questions which focus on the employees home workstation
- One individual did not complete an assessment form during their employment (POST ID FSP50) and in two cases, the Line Manager was unable to locate the forms (POST ID FSC07C/T & POST ID CCO20). This creates the risk that employees at the Council do not have the correct equipment to conduct their duties
- In two Cases, the Line Manager did not sign and date the assessment form, but we confirmed through discussion with Line Managers that these have been reviewed (POST ID FRO07B, POST ID MDS01 & POST ID CSH08).

Incorrectly completed and non-completion of self-assessment forms could result in employees not being issued the correct resources creating the risk that staff are unable to complete work efficiently whilst remaining comfortable.



RECOMMENDATION

- a. Management should be informed of the requirement to complete the correct self-assessment forms for employees via email as a minimum
- b. Self-assessment forms should be reviewed and signed by managers when there is a change in the user's individual capabilities or a significant change into the workstation
- c. For Line Managers to store the completed designated self-assessment forms in a secure shared folder with data protection to ensure it can be accessed by other appropriate employees, and/or ensure that they hand-over these documents to another colleague in the event that they leave the Council.



MANAGEMENT RESPONSE

The Council will include the requirement for new Officers to complete a DSE on the induction form to trigger Managers to ensure they are completed. The Head of Governance and Customer Services will raise this at the CHAS group.

Responsible Officer: Head of Governance and Customer Services

Implementation Date: 31 March 2023

2 FINDING TITLE

TOR Risk: THERE IS NO PROCESS IN PLACE FOR MANAGING FURNITURE PROVIDED TO STAFF

Significance  Low



FINDING

Staff at the Council can raise the request for furniture through completion of the self-assessment forms. If a request is made, the Line Manager reviewing the self-assessment will order the furniture and issue it to the individual. If a request is made for furniture which is a non-standard item, the Line Manager will raise this to the Council Health and Safety Officer prior to processing the order.

During our sample testing of the issuing of furniture to staff at the Council we identified there is no formal process for managing furniture which has been issued. Discussions with Line Managers identified it is rare for individuals to require equipment which needs to be ordered. This was confirmed in our sample testing of 10 employees who completed a self-assessment form which did not require additional furniture or equipment.

For example, if a staff member requires a chair when working from home, they will ask the Line Manager for permission to take the chair from the office. The Line Manager will not physically keep a record that the chair has been issued but will be aware of the request.

The lack of management of equipment creates the risk that equipment will not be returned to the Council resulting in greater expenses on equipment which is not necessary.



RECOMMENDATION

- a. For each Department to create an Equipment Tracker for certain items (Council to define) which details the item borrowed, Officer borrowing, date the item is borrowed, and date returned. Line Managers within each Department should update the tracker
- b. To integrate this requirement into the DSE Policy.



MANAGEMENT RESPONSE

Management accept the recommendation and A tracker will be created to ensure items which are borrowed are managed

Responsible Officer: Head of Governance and Customer Services

Implementation Date: 31 March 2023

3 FINDING TITLE

TOR Risk: THE COUNCIL'S EXPECTATIONS FOR REMOTE WORKING HAVE NOT BEEN DEFINED AND/OR REMOTE WORKING ARRANGEMENTS ARE NOT OPERATING AS DEFINED IN COUNCIL GUIDANCE

Significance  Low



FINDING

Flexible and Agile Working Policy

The Council has a Flexible and Agile Working Policy which is included in the Employee Handbook available for staff on the intranet. The Policy defines how posts that are suitable for flexible and agile working are identified and sets out the appropriate implementation arrangements.

We identified the following exceptions:

- The Flexible and Agile Working Policy was last reviewed in October 2019 which is prior to covid-19. The pandemic resulted in a changes to the work environment for all individuals and the policy should be updated to reflect this
- The Policy does not state the requirement for employees to complete self-assessment forms.

Discussion with the Head of HR, Performance and Service Planning confirmed the Policy is still reflective of the Council's procedures but agreed it should be updated to include the requirement for a self-assessment to be completed.

Out of date policies create the risk that they do not reflect the current procedures at the Council resulting in the Councils Officers not undergoing the correct risk assessments.

We compared Remote Working Policies from other organisations and identified the following key areas were not included in the Flexible and Agile Working Policy at the Council:

- **Terms of Employment:** This section emphasises the impact working remotely has on HMRC and working allowance, home insurance and employer's liability
- **Equipment:** The responsible Manager should create an IT Service Request when equipment is required for new starters. Individuals will be provided with the core kit on their first day at the Hub. All equipment remains the property of the firm and will need to be returned in the event the individual leaves
- **DSE:** Stating Individuals must complete the self-assessment on joining the Council, and then repeat if anything significant has changed in their environment. A description of the difference self-assessment forms which should be completed for flexible, Remote and Office workers and the duties for Management in relation to reviewing DSE forms and the monitoring of equipment which has been issued
- **The obligations for the User of the equipment which include:**
 - Keep the equipment in good working order
 - Individuals must not allow anyone else to use the equipment Individuals must not sell, loan, dispose of or modify the equipment.

The Council can use this information when reviewing and updating the Flexible and Agile working Policy to ensure it provides the required guidance for Managers and employees.

**RECOMMENDATION**

For HR (Performance & Service Planning) to review/update the Flexible and Agile Working Policy on an annual basis to ensure they are reflective of the Council's current procedure

**MANAGEMENT RESPONSE**

The need to review is accepted and this action will be included in the HR, Performance and Service Planning service plan for 2023-24.

Responsible Officer: Head of
HR, Performance and Service
Planning

Implementation Date: 30
December 2023

OBSERVATIONS

MONITORING OF EMPLOYEES WORKING ON-SITE

The Chief Executive issued a statement on 29 March 2022 which states from 1 April 2022, employees at the Council are required to attend the office 40% of the working week. This decision came from the Senior Leadership Team who reflected on feedback from the September 2021 staff survey.

Working in an office environment includes on-site meetings, training, 'touch down' sessions at leisure centres or other types of work which do not occur at home. For employees which have been working in an office for less than 40% of the week, the Line Manager will arrange meetings to discuss the improvement of attendance in the office.

Currently, Team Managers are responsible for implementing and monitoring the attendance of employees at the Council. This was raised as an observation as there is a risk that employees do not attend the office at the required number of days. The Council could consider implementing a process for Team Managers to follow to allow the effective monitoring of employee attendance on-site.

APPENDIX I - DEFINITIONS

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

RECOMMENDATION SIGNIFICANCE

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

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW

The purpose of our audit is to provide assurance that the Council has appropriate controls in place for remote working.

KEY RISKS

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

- ▶ The Council's expectations for remote working have not been defined and/or remote working arrangements are not operating as defined in Council guidance
- ▶ Staff feedback and wellbeing is not monitored, and any arising issues from remote working are not addressed
- ▶ Appropriate ergonomic furniture and required technology has not been made available to all members of staff
- ▶ There is no process in place for managing furniture/technology provided to staff (for example, secure disposal arrangements)
- ▶ IT security in relation to mobile devices has not been implemented and staff have not received guidance on this topic.

SCOPE OF REVIEW

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

- ▶ That the standards for remote working have been defined, communicated, and are enforced
- ▶ That the feedback from staff particularly around their wellbeing is monitored and responded to
- ▶ That the Council has assessed the needs of all applicable members of staff
- ▶ That mobile devices and remote connections are appropriately secured
- ▶ That information can be secured in the event of a device being lost or stolen
- ▶ That technology is securely disposed of when no longer necessary.

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

FOR MORE INFORMATION:

Greg Rubins

Greg.Rubins@bdo.co.uk

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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

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

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

Copyright ©2022 BDO LLP. All rights reserved.



Report to Audit Committee

Subject: Corporate Risk Management Scorecard Quarter 3 2022/23

Date: 14 March 2023

Author: Director of Corporate Resource and S151 Officer

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 December 2022 are appended to this report, and this includes a summary of all control gaps identified on the Council's Corporate Risk Register at quarter 3.

The last update of the Corporate Risk Scorecard was presented to Audit Committee on 17 January 2023 which provided the 2022/23 quarter 2 position.

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 3, Period Ending 31 December 2022

Appendix 2 - Risk Management Scoring Matrix

Statutory Officer Approval

Approved by: Chief Financial Officer
Date: 6 March 2023

Approved by: Monitoring Officer
Date: 6 March 2023

Appendix 1 - Corporate Risk Register Monitoring – Quarter 3 – Period Ending 31 December 2022

1	<p>FAILURE TO PREVENT BUDGET OVERHEATING ONCE THE BUDGET HAS BEEN SET</p> <p>Owner: Alison Ball</p> <p>Current Risk and Direction of Travel: AMBER – Reduction in current risk level (from Red D3 high likelihood, serious impact to B3 Low likelihood, serious impact).</p> <p>Definition:</p> <p><i>Shorter term implications of overspending budgets or not collecting as much income as forecasted. This can cause adverse impact on Council balances.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Serious - £50k - £500k</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>A projected net underspend of £56,800 for 2022/23 was reported to Cabinet at Quarter 3 which enabled a transfer of this sum to the Inflationary Pressures Earmarked Reserve to address further emerging pressures should they arise to help maintain a balanced budget.</p> <p>This represents an improved position from the previous two quarters of 2022/23 which presented a projected overspend due to a number of factors related to the economic downturn and resulting inflationary pressures, of which the most significant was the 2022/23 pay award that was an additional cost to the Council of £531,000. This increased risk was recognised in the Risk Register with the assessed risk level increasing from B1 (Green) to D3 (Red) for quarters 1 and 2.</p> <p>The latest budget monitoring position, projecting an underspend, demonstrates a reduction in the risk of the budget overheating during quarter 4, however there remains a level uncertainty in respect of further demand and inflationary pressures which may require further use of reserves, therefore the assessed risk remains above the target level of B1 – Low likelihood/Negligible Impact (Green)</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • 2022/23 Quarter 3 budget monitoring position prepared for presentation to Cabinet on 24 January 2023.
---	--

	<p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> Continue to capture details of impact of increasing inflation and interest rates upon Council expenditure and income and reflect significant items in the 2022/23 budget outturn report to Cabinet in May 2023.
2	<p>FAILURE TO MAINTAIN FINANCIAL INTEGRITY</p> <p>Owner: Alison Ball</p> <p>Current Risk and Direction of Travel: RED – NO CHANGE to current risk level (maintained at E4 very high likelihood/major impact £500k to £1m).</p> <p>Definition:</p> <p><i>Affecting the ability of the Council to meet its financial commitments in the longer term.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Critical - £1m+</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>The main financial risk issues as detailed in the 2022/23 Quarter 1 to Quarter 3 reports 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.</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> Efficiency programme update prepared for presentation to Cabinet on 24 January 2023 with efficiencies of £1.169m to be delivered from 2022/23 to 2024/25 with no major changes identified. A full review of the Medium Term Financial Plan was prepared as part of the budget process for presentation to Cabinet on 16 February 2023 as part of the 2023/24 General Fund Revenue Budget report. This detailed the continuing high risk to financial sustainability, exacerbated by the ongoing uncertainty in local government funding which will need to be addressed by the development and implementation of further efficiency plans to maintain a balanced position.

	<p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Development of a Procurement and Contract Management Strategy to ensure value for money in purchasing. This will reflect the recommendations arising for the internal audit review of Contract Management and Procurement (see also Risk 8-Contractors). • Development and implementation of a strategy to maximise current income streams and identify new income opportunities in accordance with all relevant statutory and corporate requirements. • Completion of additional Internal Audit work required on main financial systems in response to the alleged fraud in 2022, and ongoing liaison with External Audit.
3	<p>FAILURE TO PROTECT STAFF, INCLUDING HEALTH & SAFETY ISSUES</p> <p>Owner: Alison Ball (Fran Whyley)</p> <p>Current Risk and Direction of Travel: AMBER – INCREASE IN RISK from current risk level (B3 green, low likelihood/serious impact to C3 amber, significant likelihood/serious impact)</p> <p>Definition:</p> <p><i>Ineffective systems, processes and equipment that can present danger to individuals or groups of employees.</i></p> <p>Key Risk Driver: Health & Safety</p> <p>Raw Risk Value: Major – Loss of life/major illness</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>The 2022/23 programme of inspections is ongoing.</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • The new Health and Safety team have commenced a programme of inspections and a review of risk assessments. To date this has identified a number of risks which need to be addressed and some risk assessments which are overdue for review and/or with appropriate control measures not being fully identified. This indicates an increase in the overall risk level

	<p>which will require further consideration when the full programme of inspections is complete.</p> <ul style="list-style-type: none"> • Refresher training provided to staff on the health and safety software (Assessnet). • A new Unacceptable Customer Behaviour Policy was approved by Cabinet. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • To continue with the programme of inspections to determine the corporate-wide risk position and ensure the delivery of mitigation actions to address identified risks. • Rollout the new Civic Centre emergency evacuation procedures.
4	<p>FAILURE TO RECRUIT AND RETAIN STAFF, AND MAINTAINING INTERNAL CAPACITY</p> <p>Owner: Alison Ball (David Archer)</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at C3 significant likelihood, serious impact).</p> <p>Definition:</p> <p><i>Associated with the particular nature of each profession, internal protocols, managerial abilities, and sickness levels.</i></p> <p>Key Risk Driver: Service Provision</p> <p>Raw Risk Value: Serious – Significant elements of a service suspended / reduced</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>The Annual Governance Statement includes a number of actions for 2022/23 to address control and risk issues concerning workforce capacity. The risk level was increased at Quarter 1 and may rise further in the near future if, for example, funding reductions impact upon the Council's ability to deliver services.</p>

	<p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • Quarter 3 Gedling Plan performance monitoring considered by SLT including review of the Equality Framework and Action Plan • A new four year Gedling Plan 2023-27 was developed for consideration by Cabinet in February 2023, which has been designed to achieve a higher level of strategic focus to support the alignment of workload to capacity. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Develop Service Plans that align to the new Gedling Plan. • Continue to monitor the national review of the impact of the national living wage on local government pay scales and assess the impact for Gedling. • Investigate opportunities for the introduction of apprenticeships in areas experiencing particular recruitment issues.
5	<p>FAILURE TO PROPERLY UTILISE EXISTING ICT, REACT TO TECHNOLOGY CHANGES, AND PREVENT DATA LOSS</p> <p>Owner: Alison Ball (Head of Finance and ICT)</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE in current risk level (maintained at C3 significant likelihood/serious impact).</p> <p>Definition:</p> <p><i>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.</i></p> <p>Key Risk Driver: Objectives</p> <p>Raw Risk Value: Major – Directorate objectives not met</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>There is the potential for disruption to energy supplies over the winter months (blackouts) that could severely impact upon the provision of the ICT service.</p>

Actions completed during quarter 3:

- 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 ongoing with baseline assessment produced and options analysis underway.
- Public services network (PSN) compliance reviewed by Central Government Cabinet Office and confirmation received that infrastructure is considered sufficiently secure to enable connection to the PSM up to September 2023.
- Further promotion of the cyber security e-learning module made available for staff on the intranet.
- Cyber Security Internal Audit finalised with moderate assurance (included in Internal Audit Progress Report and item elsewhere on this agenda).
- A review of the Disaster Recovery Plan including consideration of the location of a second storage area network (SAN) has commenced with SLT to consider findings in quarter 4.
- A review of the Information Security Policy has commenced, to be presented to SLT for consideration in quarter 4

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 new Gedling Plan.
- Implement the Internal Audit recommendations including the cyber risk register as reported to Audit Committee in March 2021.
- Finalise the review and update of the Information Security Policy.

6	<p>FAILURE TO PROTECT & UTILISE PHYSICAL ASSETS</p> <p>Owner: Mike Hill (Head of Regeneration and Welfare)</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at C3 significant likelihood/serious impact).</p> <p>Definition:</p> <p><i>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.</i></p> <p>Key Risk Driver: Health & Safety</p> <p>Raw Risk Value: Major – Loss of life / major illness</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • The general condition surveys of Council Buildings and Suitability and Sufficiency surveys are ongoing. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Complete the asset condition and suitability surveys. • Produce a new Asset Management Plan. • Review the suitability of temporary accommodation and establish a short and long term maintenance programme. • Continue to 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.
---	--

7	<p>FAILURE TO REACT TO CHANGES IN LEGISLATION</p> <p>Owner: Fran Whyley</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at C3 significant likelihood/serious impact).</p> <p>Definition:</p> <p><i>Associated with current or potential changes in national or European law which can lead to possible breaches of legislation. Assessing the wider implications of new legislation on both the Council and its residents.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Major - £500k - £1m</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>An outcome to the Brazel case has been reached determining that this should apply to the calculation of leave for part-time (mainly term-time) workers. This is most likely to apply to casual staff at leisure centres and may require changes in process and some additional costs.</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • Guidance received from the LGA and in-house legal teams in respect of the Brazel case regarding the implementation approach which will be finalised in quarter 4. • Review of Information Asset Registers has commenced. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Address any financial and other implications from the McCloud pension case and other related legal judgements (see Brazel case summary above). • Finalise reviews of Information Asset Registers.
---	--

8	<p>FAILURE OF CONTRACTORS OR PARTNERSHIP ARRANGEMENTS – CONTRACTUAL BREACHES</p> <p>Owner: Alison Ball</p> <p>Current Risk and Direction of Travel: AMBER – Increased from current risk level (B3 amber, low likelihood/serious impact to C3 amber, significant likelihood/serious impact).</p> <p>Definition:</p> <p><i>Associated with the failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Serious - £50k - £500k</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • The Internal Audit of Contract Management and Procurement was finalised with Limited Assurance for Contract Management (with 1 high risk recommendation) and Moderate Assurance for Procurement. Some recommendations have been implemented, for example, improvements to the Contracts Register to support contract management and contract renewals. • Targeted procurement training delivered to specific service areas. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Implementation of remaining recommendations arising from the internal audit of Contract Management and Procurement including, for example development of Contract Management Guidance and associated training, to mitigate the risk of contractors not delivering according to cost and specification. • Review indemnity clauses in terms and conditions for new contracts to ensure that they reflect the Council's risk appetite.
---	---

9	<p>INABILITY TO DEFEND ONE-OFF CHALLENGES TO A COUNCIL DECISION OR NEW COMPENSATION TREND EMERGES</p> <p>Owner: Fran Whyley</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE to current risk level (maintained at A3 very low likelihood/serious impact).</p> <p>Definition:</p> <p><i>Councils are increasingly vulnerable to judicial reviews and new compensation claims.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Serious - £50k - £500k</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>There is a risk that self-employed service providers may successfully challenge their employment status with potential financial costs for the Council as a result.</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • Work continued to reduce the number of self-employed instructors in Leisure Services by moving to employed status. • The Council's Annual Governance Statement which was considered by this Committee in June 2022 noted an emerging issue regarding the potential non-compliance with legal responsibilities in the area of Public Protection (taxi licence) income confirming this was under review and assessment. This review has now been completed and was independently assessed by CIPFA. The outcome of the review was reported to Environment and Licencing Committee in January 2023 detailing the findings i.e. that an error had been made, in that the required memorandum accounts for different licence types had not been maintained and that over and undercharging had occurred in previous years. Cabinet approved a budget in January to enable the refund of the overcharged fees arising from this error. A new methodology for calculating fees has been developed to ensure no reoccurrence going forward. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Continue to assess the employment status of individuals working for the Council to ensure that legislative and corporate requirements are met.
---	---

10	<p>FAILURE TO MAINTAIN SERVICE STANDARDS, CUSTOMER SATISFACTION, AND/OR MEET CUSTOMER EXPECTATIONS</p> <p>Owner: Alison Ball (Fran Whyley)</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE to current risk level (maintained at B1 low likelihood, negligible impact).</p> <p>Definition:</p> <p><i>Related to channel shift to more digital on-line services but retaining the availability of face-to-face services. Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> Monitoring of complaints in terms of number, underlying reasons and other trends continuing. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> Continue to monitor and respond as necessary to the impact upon the Council of potential staffing capacity issues in key areas. New Action added – To develop a Customer Services Strategy in 2023/24 to improved customer engagement and ensure customer service standards are maintained.
----	--

11	<p>FAILURE TO PREVENT DAMAGE TO THE COUNCIL'S REPUTATION</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE to current risk level (maintained at B2 low likelihood/minor impact).</p> <p>Definition:</p> <p><i>Related to the Council's reaction to a specific event or issue, or generally a downturn in quality of service.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • No outstanding actions. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.
----	---

12	<p>FAILURE TO REACT TO AN ENVIRONMENTAL INCIDENT OR MALICIOUS ACT</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: AMBER – INCREASE in current risk level (from B3 amber, low likelihood, serious impact to C3 amber, significant likelihood, serious impact).</p> <p>Definition:</p> <p><i>Council reaction to a natural occurrence e.g. widespread flooding, or other events such as fire and explosions.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>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>Given the potential consequences of an environmental incident or malicious act and the current emergency planning resourcing issues, it is considered appropriate at this stage to increase the risk level. It was intended that 2.5 days of Emergency Planning resource be provided via Nottinghamshire County Council, however they have recently confirmed that they have been unable to recruit suitably qualified staffing and this option cannot proceed and alternative provision will now have to be determined.</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • Business Continuity training was provided by the Nottinghamshire Council Emergency Planning team on 24 November 2022. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Determine emergency planning resource arrangements and in-house staff development requirements. • Update of business continuity plans via managed workshops. • Maintain a watching brief on the requirements of Martyn's law (protection for the public from terrorism at public venues) and ensure readiness when the legislation is enacted.
----	--

13	<p>FAILURE TO REACT TO SOCIO-ECONOMIC TRENDS</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: GREEN - NO CHANGE to current risk level (maintained at B2 low likelihood/minor impact).</p> <p>Definition:</p> <p><i>Relating to the effects of changes in demographic, residential, or socio-economic trends on the Council's ability to meet its objectives.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Serious– Adverse regional publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 3:</u></p> <ul style="list-style-type: none"> • The Gedling Plan 2023-27 was finalised following a review of strategic direction in light of available resources and was reported to Cabinet in February for approval. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • No actions outstanding.
----	--

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 one high risk recommendation reported to date during 2022/23. This relates to the Council's contract management arrangements which need to be strengthened by the introduction of a Contract Management Guidance document and supported by training for all of the Council contract managers.

APPENDIX 2 - RISK MANAGEMENT SCORING MATRIX

Likelihood	Very High	E					2	
	High	D						
	Significant	C			3,4, 5, 6, 7,8,12			
	Low	B	10	11,13	1			
	Very Low	A			9			
			1	2	3	4	5	
			Negligible	Minor	Serious	Major	Critical	
			I m p a c t					

This page is intentionally left blank



Report to Audit Committee

Subject: Mazars External Audit 2021/22 Progress Report
Date: 14 March 2023
Author: Director of Corporate Resources and S151 Officer

1 Purpose of Report

To update Members on the progress with the 2021/22 external audit work by Mazars (the Council's external auditor).

Recommendation:

THAT:

- 1) Members note the Mazars external audit 2021/22 progress report.

2 Background

- 1.1 On 28 June 2022 Members approved the Mazars External Audit, Audit Strategy Memorandum for the year ended 31 March 2022. This Memorandum set out the key deliverables in respect of 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 associated external audit work remains ongoing and this report presents a progress update on the current status of the audit.
- 1.2 Members will recall the initial delay in the issuing of the Auditor's 2021/22 Annual Report beyond the statutory deadline of 30 September, the reason for which i.e. due to the extension to accounts and audit timetable, was notified by letter to the Audit Committee Chair and was published on the Council's website in accordance with regulations. A notice was also published on the Council's website detailing the associated delay in the

publication of the audited Statement of Accounts beyond the statutory deadline of 30 November 2022.

3 Proposal

It is proposed that the Audit committee note the Mazars Audit Progress Report for the year ending 31 March 2022 detailing the current status of the audit and the reasons for the ongoing delay as set out in the appendix to the report.

4 Financial Implications

There are no financial implications directly arising from this report.

5 Legal Implications

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

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

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

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

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

6 Equalities Implications

There are no equalities implications directly arising from this report

7 Carbon Reduction/Environmental Sustainability Implications

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

8 Appendices

Mazars Audit Progress Report – Year ending 31 March 2022.

Statutory officer Approval:

Approved by: Chief Financial Officer

Date: 6 March 2023

Approved by: Monitoring Officer

Date: 6 March 2023

This page is intentionally left blank

Audit Progress Report

Gedling Borough Council

Page 153
Year ending 31 March 2022



Audit Progress Update – Year ending 31 March 2022

We are pleased to present this Progress Report for the year ending 31 March 2022. The purpose of this document is to summarise the current position regarding the audit and to inform you as follows:

- 1. A reminder about our Engagement Responsibilities as your external auditor, including changes in the Audit Team
- 2. Position statement on the financial statement audit
- 3. Position statement on our work in relation to value for money arrangements at the Council

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 at mark.surridge@mazars.co.uk.

Yours faithfully
Mark Surridge

Mazars LLP

This document is to be regarded as confidential to Gedling Borough Council. It has been prepared for the sole use of the 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.

01

Section 01:

Engagement and responsibilities summary

Page 155

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.psaa.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 whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

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.

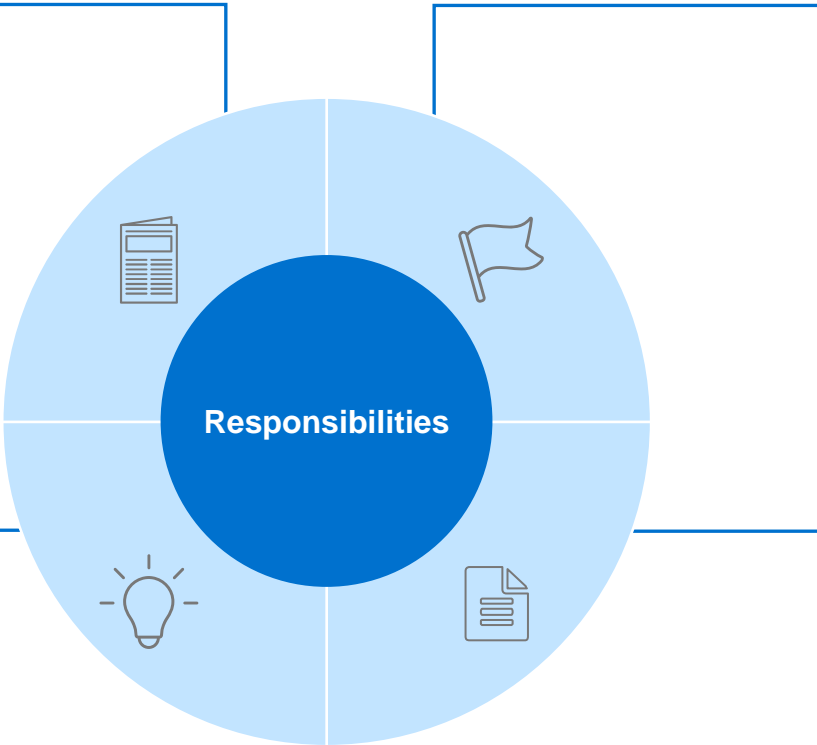
As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International 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.

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.

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



1. Engagement and responsibilities summary

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
- use 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 Mark Surridge in the first instance.

Prior to the provision of any non-audit services Mark Surridge 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.

1. Your audit engagement team

We have made a change to your engagement lead for the 2021/22 audit as a result of an internal team restructure. Mark Surridge, the external audit lead to 13 other local authorities including district councils across Nottinghamshire, will take over from David Hoose effective from February 2023.

Below is your audit engagement team and their contact details. David will remain available to Mark as a sounding board through to the completion of the audit.

Page 158

Mark Surridge Engagement Lead Email: mark.surridge@mazars.co.uk	Michael Butler Engagement Senior Audit Manager Email: michael.butler@mazars.co.uk	David Hoose Outgoing Engagement Lead Email: david.hoose@mazars.co.uk
--	---	---

02

Section 02:

Financial Statement Audit

Page 159

2. 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 the risks identified.

Our Audit Strategy Memorandum was issued to the Committee in June 2022, which identified risks relevant to the audit of financial statements categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

Significant risks are those risks assessed as being close to the upper end of the spectrum of inherent risk, based on the combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. Fraud risks are always assessed as significant risks as required by auditing standards, including management override of controls and revenue recognition.

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:

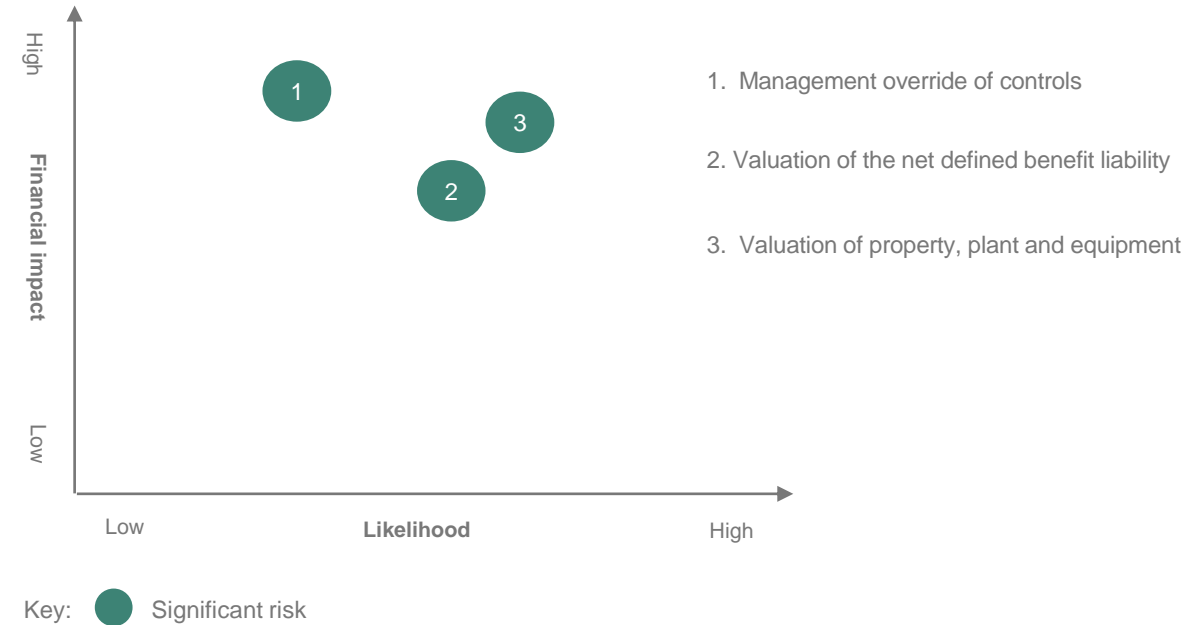
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

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 – June 2022

The summary risk assessment, illustrated in the table below, highlights those risks which we judged to be significant when planning the audit in June 2022:



2. Audit scope, approach and timeline

Current status

Whilst our testing and audit procedures were substantially complete, the audit was put on pause in light of the investigation by Nottinghamshire Police regarding alleged fraud involving a staff member in 2022.

We have met regularly with officers and internal audit to remain appraised of the situation and consider the impact on our audit approach. We are maintaining a watching brief over the case development to ensure our audit response on the financial statements and value for money arrangements does not unnecessarily duplicate or accidentally prejudice the case.

To date, we have revisited our risk assessment on the financial statements and are in the process of consulting with our technical and quality teams regarding a revised audit approach covering all of 2021/22, including revisiting work already performed. Once completed, we will issue an updated Audit Strategy Memorandum setting out in more detail the impact on our audit approach.

We expect a substantial increase in testing across all areas of the financial statements, which will also lead to a higher cost to the Council to complete the audit. We have provisionally set aside an audit team to complete the 2021/22 audit in **September 2023**, with a view for completion by November 2023.

03

Section 03:

Value for money

Page 162

3. 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. Our responsibility is 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:

- Page 163
1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to 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.

Planning and risk assessment	<p>Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include:</p> <ul style="list-style-type: none">• NAO guidance and supporting information• Information from internal and external sources including regulators• Knowledge from previous audits and other audit work undertaken in the year• Interviews and discussions with staff and members
Additional risk-based procedures and evaluation	<p>Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.</p>
Reporting	<p>We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.</p> <p>Our commentary will also highlight:</p> <ul style="list-style-type: none">• Significant weaknesses identified and our recommendations for improvement• Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

3. Value for money

Identified risks of significant weaknesses in arrangements

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. As with our work on the financial statements, we need to ensure our approach appropriately considers the alleged fraud and the table below outlines the risk of significant weaknesses in arrangements that we have identified to date.

We will report any further identified risks to the Audit Committee on completion of our planning and risk identification work.

	Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Planned procedures
1 Page 164	<p>Fraud & Internal Control: Allegations of fraudulent behaviour by Council Officers.</p> <p>Nottinghamshire Police are investigating an alleged case of "significant" fraud involving a Gedling Borough Council officer member. The alleged fraud was uncovered by the Council and reported to the police.</p> <p>We believe the allegations present a risk of significant weakness in the Council’s arrangements for Governance (how the body ensures that it makes informed decisions and properly manages its risks) including:</p> <ul style="list-style-type: none">• how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud• how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour.*	-	●	-	<p>Our work will include, but not be limited to:</p> <ul style="list-style-type: none">• Review relevant internal audit reports• Meet with Officers and Internal Audit• Maintain a watching brief on the prosecution case by the Police• Draw from additional testing performed during our audit of the financial statements.

**Criteria as defined by Auditor Guidance Note 3 (AGN 03), Auditors’ Work on Value for Money (VFM) Arrangements, December 2021*

Mark Surridge

Mazars

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.

Follow us:

LinkedIn:

www.linkedin.com/company/Mazars

Twitter:

www.twitter.com/MazarsGroup

Facebook:

www.facebook.com/MazarsGroup

Instagram:

www.instagram.com/MazarsGroup

WeChat:

ID: Mazars

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank