Gedling
Borough Council

Agenda

Audit Committee

Date:	**Tuesday 19 September 2023**
Time:	**6.00 pm**
Place:	**Council Chamber**

For any further information please contact:

Democratic Services

committees@gedling.gov.uk

0115 901 3844

Audit Committee

Membership

Chair	Councillor Kyle Robinson-Payne
Vice-Chair	Councillor Sandra Barnes
	Councillor Jim Creamer
	Councillor Helen Greensmith
	Councillor Paul Hughes
	Councillor Alison Hunt
	Councillor Ruth Strong

Responsibility of Audit Committee:

Statement of purpose
a) The Audit Committee is a key component of Gedling Borough Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
b) The purpose of the Audit Committee is to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of Gedling Borough Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, risk and control
c) To review the Council's corporate governance arrangements including the Local Code of Corporate Governance.
d) To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal

audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.

e) To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

f) To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

g) To consider and monitor the effective development and operation of risk management in the council.

h) To monitor progress in addressing risk-related issues reported to the committee.

i) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

j) To review the assessment of fraud risks and potential harm to the council from fraud and corruption.

k) To consider and monitor the counter-fraud strategy, actions and resources.

Internal audit

l) To approve the internal audit charter defining the role and scope of internal audit.

m) To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

n) To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.

o) To consider reports from the Head of Internal Audit on internal audit's performance during the year, including the performance of external providers of internal audit services.

p) To consider the Head of Internal Audit's annual report confirming compliance with auditing standards and the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control - these will assist the committee in reviewing the Annual Governance Statement.

q) To consider summaries of specific internal audit reports as requested.

r) To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

s) To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.

t) To support effective communication with the Head of Internal Audit.

External audit

u) To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.

v) To consider specific reports as agreed with the external auditor.

w) To comment on the scope and depth of external audit work and to ensure it gives value for money.

x) To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

y) To consider and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

z) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

aa)To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

AGENDA

This page is intentionally left blank

**MINUTES
AUDIT COMMITTEE**

Tuesday 25 July 2023

Councillor Kyle Robinson-Payne (Chair)

Councillor Sandra Barnes	Councillor Paul Hughes
Councillor Jim Creamer	Councillor Alison Hunt
Councillor Helen Greensmith	Councillor Ruth Strong

Absent: None

Officers in Attendance: T Adams, C Goodall and F Whyley

Guests in Attendance: G Dulay (Internal Audit Director – BDO) and M Armstrong (Internal Auditor – BDO)

10   APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

None.

11   TO APPROVE, AS A CORRECT RECORD, THE MINUTES OF THE MEETING HELD ON 27 JUNE 2023

RESOLVED:

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

12   DECLARATION OF INTERESTS

None.

13   INTERNAL AUDIT PROGRESS REPORT AND BUSINESS CONTINUITY AND EMERGENCY PLANNING INTERNAL AUDIT REPORT

The Internal Auditor introduced the Internal Audit Report and Business Continuity and Emergency Planning Internal Audit Report which summarised the outcome of internal audit activity completed by the BDO Internal Audit Team for the period March 2023 to June 2023.

RESOLVED to:

1) Note the Internal Audit Progress Report detailing the delivery of the 2022/23 Internal Audit Plan and the commencement of work for the 2023/24 Internal Audit Plan; and

2) Note the Business Continuity and Emergency Planning Internal Audit Report.

14   **INTERNAL AUDIT DRAFT ANNUAL REPORT**

The Internal Audit Director introduced a report providing the Head of Audit Opinion based on the outcome of the internal audit activity completed by the BDO Internal Audit Team in accordance with the approved 2022/23 Internal Audit Plan.

RESOLVED:

To note the draft Internal Audit Annual Report and Head of Internal Audit Opinion for 2022/23.

15   **ANY OTHER ITEM WHICH THE CHAIR CONSIDERS URGENT**

None.

The meeting finished at 6.23 pm

Signed by Chair:
Date:

Report to Audit Committee

Subject: Internal Audit Draft Annual Report 2022/23

Date: 19 September 2023

Author: Gurpreet Dulay – Internal Audit Director (BDO)

Purpose

To provide the Head of Audit Opinion based on the outcome of the internal audit activity completed by the BDO Internal Audit Team in accordance with the approved 2022/23 Internal Audit Plan.

Recommendation(s):

THAT:

      1) **Members to note the Internal Audit Annual Report and Head of Internal Audit Opinion for 2022/23**

---

1. Background

1.1 The Internal Audit Annual Report and Head of Internal Opinion for 2022/23 provides a summary of Internal Audit's work and assurance for the year from 1 April 2022 to 31 March 2023, in accordance with the Strategic Internal Audit Plan. The conclusion and key findings from each audit have been summarised with the control design and control effectiveness opinion.

1.2 Internal Audit's opinion of the Council internal controls is Limited for 2022/23, based on the balance of the opinions issued from our audits in the year, but also due to the ongoing fraud investigation.

2. Proposal

2.2 The role of internal audit is to provide an opinion to Full Council, through the Audit Committee, on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. The annual report from internal audit provides an overall opinion on

the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service.

2.3 The Internal Audit Annual Report and Head of Internal Audit Opinion provides an overview of the BDO Internal Audit Team activity and opinion of the Council's internal control system for 2022/23.

3. Financial Implications

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

4. Legal Implications

4.1 The Accounts and Audit Regulations 2015 require authorities to undertake effective internal audits to evaluate the effectiveness of risk management, control and governance processes. This report provides Internal Audit's annual opinion for 2022/23 of the Council's controls and is provided to the Committee in accordance with the Council's Constitution and delegations contained therein.

5. Equalities Implications

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

6. Carbon Reduction/Environmental Sustainability Implications

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

7. Appendices

7.1 GBC Internal Audit Annual Report 2022/23

Statutory Officer approval

Approved by the Chief Executive Officer
Date:

Approved by the Monitoring Officer
Date:

INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE

Gedling Borough Council

2022-23

IDEAS | PEOPLE | TRUST

BDO

CONTENTS

SUMMARY OF 2022-23 WORK

Internal Audit 2022-23

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

- Corporate Governance and Performance Management

- Cyber Security

- Recruitment and Retention

- Building Control and Development Management

- Workforce Strategy

- Business Continuity and Emergency Planning

- Remote Working

- Main Financial Systems

- Counter Fraud and Corruption Strategy – in progress

- Additional IT Work – in progress.

We have detailed the opinions of each report and key findings on pages five to 10. Our internal audit work for the 12-month period from 1 April 2022 to 31 March 2023 was carried out in accordance with the internal audit plan approved by management and the Audit Committee. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards. Management were aware of some of the control and governance issues with certain service areas and openly requested BDO to review these when forming the Internal Audit Plan.

Head of Internal Audit Opinion

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

- We are able to provide the Council with **Limited Assurance** of its system of controls. The Chief Executive has publicly reported that "Gedling Borough Council recently uncovered a significant fraud allegedly involving a member of staff from within the organisation". We have also issued High findings and Limited opinions for other reports, including Business Continuity and Emergency Planning and Workforce Strategy. Although we have not fully concluded our work on the Counter Fraud and Corruption Strategy review, on the balance of issues identified and opinions across other reviews, we are able to provide our annual opinion in lieu of this

- Due to vacancies and absences the Council has a small senior leadership team (SLT), impacting the leadership and management of the organisation. We have had positive engagement in the delivery of our 2022/23 internal audit plan and the initial planning stages and early reviews in our 2023/24 internal audit plan. However, high levels of reliance on few individuals have resulted in delays to some of our work

- Delays in implementing recommendations continues to be clear from across the Council, with Medium recommendations raised in 2020/21 relating to Health & Safety, Commercialisation and Taxi Licensing that are not yet implemented. This was also identified in our 2021/22 Annual Report where delays in management responses to draft report and implementing recommendations was accredited to staff issues, which we were informed had been solved through recruitment. There is a potential that control weaknesses remain if recommendations are not implemented in a timely manner, exposing the Council to potential risk

- The Council's 2021/22 statutory accounts still have not been signed off by external audit due to the ongoing fraud investigation. Mazars' report to the Audit Committee in March 2023 noted that further substantive testing will be required and the prospective timetable is for the accounts to be signed off in November 2023. The delays to the accounts indicates weaknesses in financial controls and the financial environment, driven by turnover and absence of key finance staff

- In January 2023 the Council identified that it had undercharged for taxi licences by £430,728 between 2016/17 and 2021/22. In the same period it overcharged for vehicle licences by £124,186 and operator licences by £12,542. As a result, the Council has committed to refunding these customers with interest, resulting in reimbursements to customers of up to £150,000. While these relate to historic transactions, we have considered this as relevant in this Annual Report due to the timing of this being identified.

REVIEW OF 2022-23 WORK

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Corporate Governance and Performance Management (Finalised: September 2022)	-	3	1	Moderate	Moderate	**Conclusion** The Council have an effective full council, committee and reporting structure and maintain work plans for the executive and non-committees through minute taking. However, there is inadequate training delivered which could impact the Council meeting its objectives as well as a lack of reporting to the SLT on gifts and hospitality and the lack of a process in place to encourage committees to undertake regular self-reflection of their effectiveness. Findings: • The member's induction training skills programme did not identify a minimum level of training required from members to be able to conduct their role • A training skills matrix for the SLT or a central record of all training completed to monitor ongoing compliance with mandatory training requirements • Officers gifts and hospitality had not been reported to the SLT at all in 2021/22, as required by the Councils Approved Gifts and Hospitality Code of Practice for Members and Officers 2019 • Committee self-assessments have not taken place to reflect on the performance and areas of improvement for committees.
Recruitment and Retention (Finalised: September 2022)	-	2	1	Moderate	Moderate	**Conclusion** The Council has had effective reporting mechanisms and monitoring of the recruitment and retention KPIs in place. Additionally, policies and procedures outlined the expected pre-employment checks for new starters. However, there were instances where new starters (internal transfers or external recruits) did not have relevant documentation in

						place (signed terms and conditions of employment, PEN1 pension form). The Establishment List, which details all long-term vacant posts, was not kept up-to-date. Findings: • From our sample testing of new starters we noted that not all individuals had a signed statement of conditions or PEN 1 form retained on file. Some starter forms were also completed late which could delay other subsequent checks, including DBS checks • The Establishment list, detailing posts that have been vacant for over a year, was not kept up to date following the budget being removed for these roles.
Building Control and Development Management (Finalised: February 2023)	-	1	1	Substantial	Substantial	Conclusion The Council's management of building control and development management is in a strong position. There is an appropriate level of structure in place, roles and responsibilities are clear, a dedicated LDP is in place which sets out the strategic planning policies which are clearly referred to when planning officers at the Council justify their decisions. However, we identified that inspection notes had not been recorded in Uniform in three of the 10 building control applications that were reviewed, due to issues around one officer's use and understanding of the system. Internal procedure notes were not in place for building control and development management, which may have contributed to this. Findings: • There were some building control inspections that were not recorded on the Uniform system. We were informed that all three related to the same individual where the Council had experienced issues in them using the system effectively • There are no internal procedural guidance notes available to staff to document the processes, timelines and responsibilities of roles relating to building control and development management.
Remote Working (Finalised: March 2023)	-	1	2	Substantial	Moderate	Conclusion The Council had reasonable processes in place to support staff through remote working, with biennial staff surveys focused on addressing staff wellbeing. Furthermore, technology issued to staff was recorded centrally and there were adequate security controls around the configuration of devices. However, staff had been provided with devices and equipment without completing a DSE assessment or a fully combined assessment. Furthermore, there is not a process in place

						for monitoring furniture that has been issued to staff, although our sample testing identified that this is rare. Findings: • Employees had not completed DSE assessments or fully combined assessments prior to being given devices by the Council, and the request forms had not been signed the line manager in the majority of cases • There is no formal process for monitoring furniture issued to staff • The Flexible and Agile Working Policy was last updated in October 2019 and does include requirements for staff to complete self-assessments.
Workforce Strategy (Finalised: September 2023)	1	2	-	Moderate	Limited	Conclusion While the Council's Workforce Strategy is strongly aligned with its corporate objectives and priorities, there was poor compliance with the performance development review (PDR) with only 44% completion rate for the 2023 reviews. Furthermore, the Council needs to make improvements to workforce planning by identifying critical roles, carrying out capacity reviews, and succession planning to ensure that it can deliver its services. The Council has taken action to improve retention of staff, including a one-off payment to support staff during the cost-of-living crisis, a wide-range of training initiatives and effective management reporting on its workforce. Findings: • Completion of PDRs for 2023 was only 44%, potentially identifying a poor culture for assessing staff performance, identifying further training needs. As such, HR confirmed that there had been no training requests for the year. The completion rate was higher than in 2022 (20.4%) but remains significantly lower than we would expect • Critical roles are not systematically identified and succession plans developed for senior roles, leaving the Council vulnerable to key staff leaving • Mandatory training modules were not completed by all staff.
Business Continuity and Emergency Planning (Finalised: July 2023)	1	2	1	Moderate	Limited	Conclusion At the time of our review, the Council's business continuity planning (BCP) arrangements were inadequate, with corporate and service plans out of date and not aligned with the emergency plans. However, following the appointment of the Health, Safety and Emergency Planning Officer, a process is ongoing to refresh the corporate BCP and service BCPs by the end of July 2023. These will be subject to scenario testing with Heads of Service who will be responsible for ensuring staff are sufficiently trained on their local BCP.

|						
						Therefore, there is a positive direction of travel for BCP within the Council, but there were many gaps with arrangements at the time of our review. Findings: • At the time of our fieldwork (pre-February 2023) service BCPs were out of date, and following the restructure, did not reflect the current structure of the Council. Service BCPs that were in place were inconsistent in quality and the key controls to mitigate the risks identified were not recorded • The corporate and service BCPs did not have clear links into the Council's wider strategic framework, notably emergency plans, potentially leading to a lack of cohesion between the documents • There has not been annual testing on the Council's current BCPs, although the new service BCPs will be subject to testing with Heads of Service • Training has been delivered through the Nottinghamshire Local Resilience Forum (LRF) and to service managers to support them to develop the new service BCPs, however, training attendance logs to monitor who has received the training on the service BCPs are not in place.
Main Financial Systems (Finalised: September 2023)	-	3	3	Moderate	Moderate	<u>Conclusion</u> This review focused on treasury management and payroll. There were effective processes in place for managing daily treasury deals and investments, with deals authorised appropriately. However, the Council have not adopted the treasury management practices (TMPs) that were drafted in 2021 as required by the Treasury Management Code of Practice. Furthermore, a separate risk register was not in place for treasury risks, although risks were monitored through the Treasury Management Strategy by Cabinet. Payroll procedures were robust, and all starters, leavers and changes that we reviewed were supported by adequate backing documentation. Reconciliations were performed between the payroll elements report and Agresso, with separation of duties embedded into the processes throughout. However, procedure notes for the leaver's process were not in place, detailing how to calculate final pay and remove employees from the payroll. Findings: • The Council prepared its draft TMPs in 2021 but these were not formally adopted. While procedures were broadly documented in the Treasury Management Strategy, a set of TMPs is required by CIPFA's Code of Practice • A treasury risk register is not in place to monitor, manage and address specific risks relating to treasury management. These should cover internal control risks and macroeconomic risks • Reconciliations between the bank account and Agresso were not completed in a timely manner due to staff-related challenges leading to inaccurate balances potentially not being detected until a later date and inaccurate financial reporting.

Counter Fraud and Corruption Strategy	TBC	TBC	Due to staffing challenges at the Council, we have been unable to fully conclude our work and provide an opinion based on the documentation provided to us.

SUMMARY OF FINDINGS

RECOMMENDATIONS AND ASSURANCE DASHBOARD

Recommendations

2020/21	2021/22	2022/23
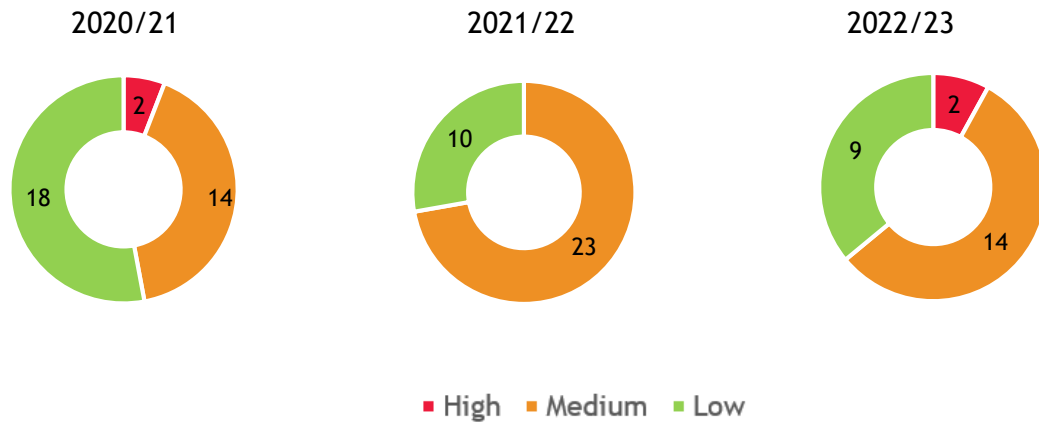
- High
- Medium
- Low

In 2022-23 there were a total of 24 recommendations, of which 16 are either High or Medium recommendations.

The number of High or Medium recommendations has reduced but the proportion of these based on the overall number of recommendations has increased from 2021-22.
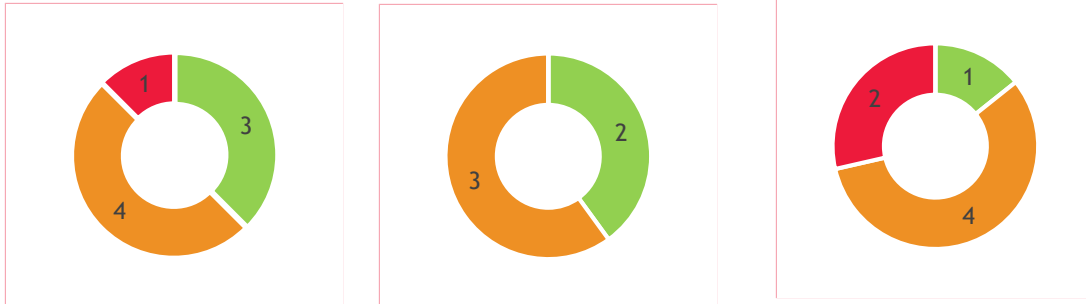
Control Design
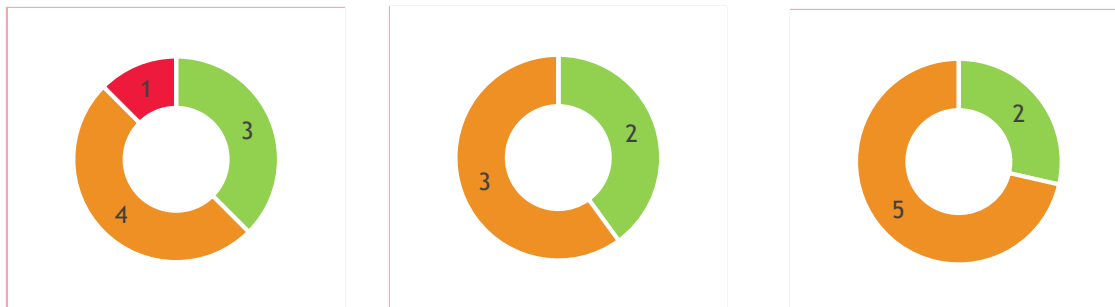
In 2022-23 there were five Moderate and two Substantial opinions for control design. Compared to 2021-22, the control environment has weakened from across the areas we reviewed.

10

Operational Effectiveness

Substantial   Moderate   Limited   No

In 2022-23 there were one Limited, four Moderate and one Substantial control effectiveness opinions issued. There were two Limited control effectiveness opinions, which indicates that the effectiveness of controls has weakened from the prior year.

11

ADDED VALUE

USE OF SPECIALISTS

We obtained several financial data sets and carried out a data analytics exercise to identify exceptions within the data. IT and system speciliasts have been deployed on our additional piece of work in reviewing systems and control following the fraud investigation.

RESPONSIVE AND FLEXIBLE

In lieu of the public fraud case, we have been flexible in our provision of resources and in our delivery of the internal audit plan. This has supported the Council to manage emerging risks that are central to its current operations.
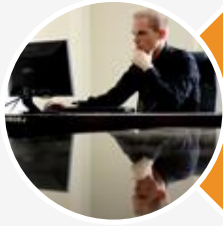
BENCHMARKING AND BEST PRACTICE

We provided benchmarking and best practice templates that the Council could use, including incident management reporting templates in the Business Continuity and Emergency Planning review.

KEY THEMES

PEOPLE

The Council welcomed our internal audits and provided us with reasonable levels and support to deliver our reviews. However, resourcing challenges and staff absences has led to delays in the completion of the plan.

GOVERNANCE & STRUCTURES

Monitoring and governance processes were robust and strong team structures were identified within several of our reviews, including Corporate Governance and Performance Management and Recruitment and Retention. However, the Council's leadership team has reduced significantly placing high reliance on the Chief Executive.

POLICIES & PROCEDURES

Policies and procedures were in place with a clear approval process and frameworks. However, from our reviews we identified various policies that were out of date, including the Flexible and Agile Working Policy.
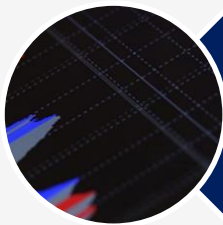
FOLLOW UP

In January 2023 18 recommendations were followed up of which seven were complete, nine were in progress and two were overdue. At our June 2023 follow up there were some 2019/20 recommendations which were still outstanding, indicating potential exposure to risks that are not being effectively controlled.

13

BACKGROUND TO ANNUAL OPINION

Introduction

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

Our internal audit work for the 12-month period from 1 April 2022 to 31 March 2023 was carried out in accordance with the internal audit plan approved by management and the Audit Committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

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

Scope and Approach

Audit Approach

We have reviewed the control policies and procedures employed by the Council to manage risks in business areas identified by management set out in the 2022/23 Internal Audit Annual Plan approved by the Audit Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

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

- Considering the risks that have been identified by management as being associated with the processes under review

- Reviewing the written policies and procedures and holding discussions with management to identify process controls

- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage

- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place

- Performing compliance tests (where appropriate) to determine that the risk management activities and controls have operated as expected during the period.

14

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

Reporting Mechanisms and Practices

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

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

Management actions on our recommendations

Management were engaged with the internal audit process and provided considerable time to us during the fieldwork phases of our reviews, however, due to resource challenges and staff engagement, audit evidence was not always provided promptly causing delays in our audit fieldwork. Opportunities to discuss findings and recommendations prior to the issue of draft internal audit reports were given due to closing meetings. Management responses to draft reports were mostly not provided within our requested time frame, therefore, there were some instances where the turnaround of draft reports was slow.

Recommendations follow-up

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented in a timely manner then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment. There has been a low level of implementation of recommendations, including some recommendations from 2020/21 that are not yet implemented, exposing the Council to risks in its arrangements.

Relationship with external audit

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

Report by BDO LLP to Gedling Borough Council

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

In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides the Council with **Limited Assurance** that there are no major weaknesses in the internal control system for the areas reviewed in 2022/23. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.

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

- All internal audits undertaken by BDO LLP during 2022/23

- Any follow-up action taken in respect of audits from previous periods for these audit areas

- Whether any significant recommendations have not been accepted by management and the consequent risks

- The effects of any significant changes in the organisation's objectives or systems

- Matters arising from previous internal audit reports to the Council

- Any limitations which may have been placed on the scope of internal audit – no restrictions were placed on our work

KEY PERFORMANCE INDICATORS

Quality Assurance	KPI	RAG Rating
Quality of work	Feedback from our work was positive and recommendations were agreed with management prior to finalisation of reports. We issue a survey after each audit and received a score of 5/5 on the value added by our work.	🟢
Effective planning	We completed many of our reviews in the first three quarters of the year however, there have been limitations due to staffing challenges within the Senior Leadership Team and the impact of the ongoing fraud investigation has led to some delays to our work. We have prepared draft terms of reference for all 2023/24 reviews and commenced fieldwork in more than 50% of the reviews in the plan.	🟢
Completion of the audit plan	We have finalised reports for most audits in the 2022/23 internal audit plan, with delays to some reviews caused by resource challenges and the ongoing fraud investigation.	🟠
Follow-up of recommendations	We followed up all recommendations issued during the year and all outstanding recommendations from prior years as they fall due.	🟢

We will obtain feedback during the year upon finalisation of each report and feed the results back to the Audit Committee.

APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

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

REPORT OPINION SIGNIFICANCE DEFINITION				
Level of Assurance	Design Opinion	Findings	Effectiveness Opinion	Findings
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 noncompliance 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	
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

Gurpreet.Dulay@bdo.co.uk

This page is intentionally left blank

![Gedling Borough Council logo]

Report to Audit Committee

Subject: Internal Audit Progress Report

Date: 19 September 2023

Author: Gurpreet Dulay – Internal Audit Director (BDO)

Purpose

To summarise the outcome of internal audit activity completed by the BDO Internal Audit Team for the period July to September 2023.

Recommendation(s):

THAT:

1) **Members to note the Internal Audit Progress Report detailing the delivery of the 2022/23 Internal Audit Plan and the commencement of work for the 2023/24 Internal Audit Plan.**
2) **Members to note the Workforce Strategy Internal Audit Report.**

---

1.   Background

1.1   The Internal Audit Plans for 2022/23 and 2023/24 were approved by the Audit Committee on 15 March 2022 and 14 March 2023 respectively. The progress report provides a summary update of the work undertaken by BDO for 2022/23 and our opinion for each review. In addition, the report identifies the progress of the review that are in fieldwork or report stage for 2023/24 and the schedule in which we anticipate presenting the final reports to the Audit Committee over the year.

1.2   BDO have undertaken a review of the Council's Workforce Strategy, providing Moderate assurance on the control design and Limited assurance on the control effectiveness.

2.   Proposal

2.1   Since the last Audit Committee meeting, three reports have been finalised (Workforce Strategy, Main Financial Systems and Council Tax and NNDR). There is one review for 2022/23 that is in progress (Corruption and Counter Fraud Strategy) where a draft report has been prepared for

management. Work has commenced on the 2023/24 audit plan, with three reviews in the fieldwork phase and one review where we have issued a draft report to management. We anticipate that these will be presented at the next Audit Committee in December 2023:

2022/23 Internal Audit Plan
- Counter Fraud and Corruption Strategy
- Additional review of financial systems

2023/24 Internal Audit Plan
- Project and Programme Management
- Health and Safety
- Safeguarding
- GDPR Information and Governance.

3. Financial Implications

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

4. Legal Implications

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

5. Equalities Implications

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

6. Carbon Reduction/Environmental Sustainability Implications

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

7. Appendices

7.1 BDO Internal Audit Progress Report - September 2023
7.2 Workforce Strategy Internal Audit Report

INTERNAL AUDIT PROGRESS REPORT

GEDLING BOROUGH COUNCIL

SEPTEMBER 2023

IDEAS | PEOPLE | TRUST

BDO

CONTENTS

SUMMARY OF INTERNAL AUDIT WORK

INTERNAL AUDIT

This report is intended to inform the Audit Committee of progress made against the 2023/24 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.
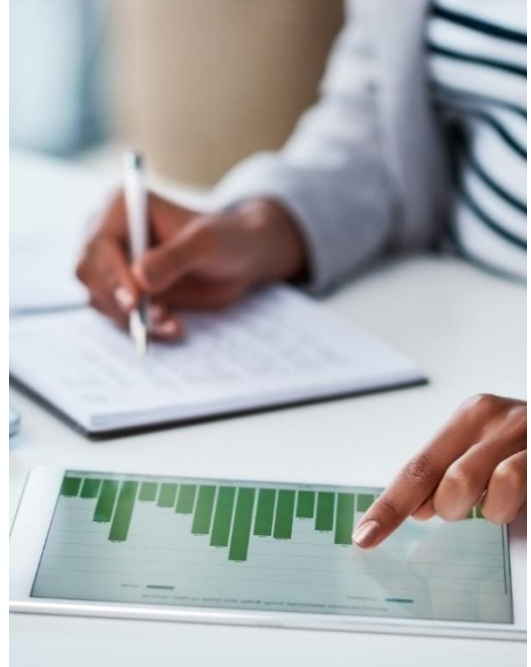
INTERNAL AUDIT METHODOLOGY

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.

SEPTEMBER 2023 AND 2023/24 INTERNAL AUDIT PLAN

We have now substantially completed our work for the 2022/23 audit plan, with all fieldwork completed. We have also made good progress in delivering the 2023/24 audit plan, and we are pleased to present the following reports to this Audit Committee meeting:

▶ Workforce Strategy

▶ Main Financial Systems

▶ Council Tax and NNDR

Fieldwork has been completed or is in progress in respect of the following reviews which will be presented at future committees:

▶ Counter Fraud and Corruption Strategy

▶ Additional review of financial systems

▶ Safeguarding

▶ Project and Programme Management

▶ Health and Safety

▶ GDPR Information and Governance.

REVIEW OF 2022/23 WORK

AUDIT	AUDIT COMMITTEE	PLANNING	FIELDWORK	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	✓	✓	✓	M	L
Main Financial Systems	September 2023	✓	✓	✓	M	M
Counter-Fraud and Corruption Strategy	September 2023	✓	✓	✓		
Workforce Strategy	September 2023	✓	✓	✓	M	L

REVIEW OF SEPTEMBER 2023/24 WORK

AUDIT	AUDIT COMMITTEE	PLANNING	FIELDWORK	REPORTING	DESIGN	EFFECTIVENESS
Community Health & Wellbeing (with focus on Leisure Services)	March 2024	✓				
Council Tax/NNDR	September 2023	✓	✓	✓	S	S
GDPR Information & Governance	December 2023	✓				
Generating External Income	March 2024	✓				
Governance & Budgetary Assurance Mapping	July 2024	✓				
Health and Safety	December 2023	✓	✓			
Main Financial Systems	July 2024	✓				
Project & Programme Management	December 2023	✓	✓			
Safeguarding	December 2023	✓	✓	✓		

WORKFORCE STRATEGY

EXECUTIVE SUMMARY

CRR REFERENCE: FAILURE TO RECRUIT AND RETAIN STAFF, AND MAINTAINING INTERNAL CAPACITY ADDED VALUE

Design Opinion	🟠 Moderate	Design Effectiveness	🔴 Limited

Recommendations	🔴 1	🟠 2	🟢 0

SCOPE

BACKGROUND

Workforce planning is having the right number of people with the right skills in the right jobs at the right time. It is the business process that aligns staffing with the strategic missions and critical needs of an organisation. It also forecasts the department's future workforce needs to ensure organisations will continue to thrive due to a talented and competent workforce. Workforce planning also considers the well-being of staff and the career progression opportunities of individuals, which should be incorporated into the workforce strategy.

The 2020-23 Gedling Plan includes 'Examples of Achievements and Activities', which states how the 2019/20 Gedling Plan included an action to produce a Workforce Strategy for the period 2020/23. Due to conflicting priorities presented by the Covid-19 pandemic this was not achieved on time, however, the strategy was approved for implementation from 1 April 2021. The strategy demonstrates the "building blocks" already in place that make the organisation a strong, good, fair and business-like place to work but also identifies a clear set of actions that will further support and develop their workforce. This is a key area of focus at the moment for many local authorities in context of the Levelling Up agenda, ensuring the Council is able to both attract and retain skilled employees required to deliver services in this challenging environment, as well as provide good opportunities to the local population.

AREAS REVIEWED

We reviewed the adequacy and effectiveness of the arrangements in place at the Council for the development, roll out and monitoring of its Workforce Strategy. We sought to verify that the Strategy was based on credible assumptions and that workforce planning decisions were sustainable and realistic. We also reviewed how the Council's Workforce Strategy corresponded to the Gedling Plan. We examined arrangements to enable reporting against actions identified through the Strategy, aiming to understand how the Council remains proactive to address potential staffing level pitfalls, and reviewed training plans to verify whether continuous training and development to improve the skills mix and expand skills of staff were in place to address capacity issues. Finally, we benchmarked the Council's workforce planning approach against best practices.

AREAS OF STRENGTH

During our review, we identified the following areas of good practice:

Workforce Strategy's Alignment with Objectives

▶ Following a review of documentation, we confirmed that the Workforce Strategy is aligned with corporate objectives and priorities. The Strategy is designed according to Local Government Association strategic workforce priorities. The actions identified in the Strategy are aligned with the Gedling Plan 2020-23. The Gedling Plan 2020-23 covers the same priorities as the draft Gedling Plan for 2023-27, therefore the Strategy remains relevant. Furthermore, a report to the Appointments and Conditions of Service Committee on 17 March 2021 confirmed that the Strategy was developed and agreed in consultation with Council Members as well as senior management. This report also detailed contribution to, and approval of, the Strategy by the Joint Consultative and Safety Committee, which is attended by Trade Unions. Therefore, key stakeholders were consulted during the creation of the Workforce Strategy, ensuring that it aligns with corporate objectives.

Staff Development, Recruitment and Retention

▶ To develop the skills base of its staff, the Council has various training initiatives. The Council offers career-graded training, which involves hiring individuals for a job of a higher grade and training them (through qualifications and on-the-job learning) so that they can fulfil the role to the required standard. This enables new and existing staff to grow and develop through person-specific training plans, whilst helping to mitigate staff capacity and retention issues, particularly for specialist roles which are difficult to fill. The Council also has a 'Carousel of Learning' programme to cover training for management, focusing on general management skills and policy knowledge. Sessions are delivered every 2-3 months according to demand.

▶ To recruit and retain staff, the Council has adopted various pay policies. The Council pays market supplements, which involves a temporary pay increase for all employees within a specific group. This includes roles where there is high turnover, where there is difficulty recruiting (specialist roles, for example), or to provide a competitive offering with like jobs in the sector. In response to the Cost of Living Crisis, the Council also awarded a retention payment of £250 in December 2022 to all employees on Band 7 and below (more than half of the workforce).

▶ As outlined in its Strategy, the Council carried out a Staff Survey in 2021, and has taken on board feedback from this to help retain staff. A report to the Senior Leadership Team (SLT) outlined the survey results, and actions arising from these. These actions were reported as recommendations, and all recommendations were accepted. Progress against these is monitored using the Council's management reporting tool, Pentana. The Council is therefore clearly working to retain staff by pinpointing and addressing any staff issues early on, recognising that those closest to the work have important perspectives on current and future workforce needs.

Management Reporting

▶ The Workforce Strategy is reported on using the Council's management reporting tool, Pentana. Progress against the seven actions from the Strategy is monitored and reported on quarterly to SLT, and a responsible individual and due date is specified for each action. Four actions are complete, and the Council is monitoring progress of the three remaining actions.

AREAS OF CONCERN

Finding	Recommendation and Management Response
There were low completion rates of Performance Development Reviews (PDR) which impacts the Council's ability to fully review the skills base of all staff and ensure staff have the necessary skills and tools - including training - to undertake their roles, deliver to expected standards and ensure future development opportunities (Finding 1 - High)	a. HR should remind managers of the necessity of PDR completion. This could be done through three emails: one reminder email in December, a month in advance of appraisal season; one email in January, at the beginning of PDR season; and the final email in March, to remind managers that the PDR window is about to close b. SLT should also raise the completion of PDRs as a priority with Heads of Service and follow up with those Heads of Service where completion rates were particularly low c. At the end of the annual appraisal season, HR should send an email to managers asking whether there are any training requests. This would help to ensure that training needs raised during PDRs are met. Recurring themes should be pulled together from contact with senior managers (Heads of Service) at the close of the PDR window. Management Response a. Agreed. Emails will be sent out by the HR team at the intervals identified b. Agreed. The Head of HR will remind SLT by email of the importance of PDRs around the end of January so that they can cascade this to relevant Heads of Service through team briefings early

<table>
<tr>
<td></td>
<td></td>
<td>
enough in the process to ensure that the message is strong and timely

c.   Agreed. The email to determine if there are training needs will be sent at the end of the PDR season (around end April) and any recurring training themes identified and a practical and affordable method of training delivery will be proposed by HR.

<u>Target Date</u>

a.   Ahead of and during the next PDR season (emails to be sent from December 2023 to March 2024)

b.   August 2023

c.   August 2023.
</td>
</tr>
<tr>
<td></td>
<td>The Council has not mapped and documented key or critical roles within its structure, to ensure that if those roles were to become vacant there is sufficient contingency planning and notification time for finding and introducing a new individual (Finding 2 - Medium)</td>
<td>
a.   The Council should identify and document all key and critical roles across all service areas. The document should outline next steps if these become vacant. Actions could include timelines for when critical vacancies should be filled by, and next steps if they are not filled. Employment and Recruitment Agency Blue Arrow provides useful guidance for identifying key or critical roles, as roles that would meet at least one of the following criteria:

•   They are critical to achieving the organisation's strategy, either in the design or the execution of that strategy. These are roles where the loss of a high-performing incumbent could result in organisational and, by extension, financial disruption

•   They are a source of the organisation's current comparative advantage; their capabilities provide differentiation which enables them to provide a service for customers that is unique, faster or done so at a lower cost

•   They are a source of the organisation's future comparative advantage; their capabilities will enable the organisation to excel in the future – according to future risks and opportunities, for example (this means that some critical roles may not yet exist).

b.   Discussions with the Head of HR, Performance and Service Planning highlighted that the Council would like to foster a systematic approach to succession planning in the next Workforce Strategy, as they are aware of the risk in this area. The Council should carry out and document succession planning, with a particular focus on identifying key roles (sole specialists for example) to protect organisational knowledge and mitigate against organisational fragility. Successors may be selected either by informal methods, such as conversations with managers, or by formal methods, such as the performance review process and assessing competencies (and plugging any
</td>
</tr>
</table>

gaps through training). Therefore, completion of Performance Development Reviews is important for succession planning

c. By considering key changes that may occur over the next two years, the Council should identify and document the skills gaps which need to be addressed by carrying out Performance Development Reviews. Following this, the Council may wish to create an action plan to address skills gaps (through training, for example), which is periodically reviewed.

Management Response

a. Agreed. Annually at the end of PDR season (around the end of April) the HR Team will send out a pro forma to each Head of Service to ask them to identify the jobs that they consider to be "key" and the measures that are being taken to train others internally to fill these posts and the measures that would be taken if the posts

b. Agreed. As '2a' above

c. Agreed. As '1c'.

Target Date

a. April 2024
b. April 2024
c. August 2023.

Mandatory training was not completed by stipulated deadlines. Equality and Diversity and Fraud Awareness training modules, which had a completion deadline of 31 January 2023, only had 94% and 76% completion rates in at July 2023 (Finding 3 - Medium).	The Council should ensure that mandatory training is fully complied with by stipulated deadlines. Managers should follow up with staff who have not completed the training and raise non-completion during Performance Development Reviews. HR should send reminder emails to managers to ensure that they are monitoring completion. Regarding the Fraud Awareness course, this is managed by the Head of Finance, who should ensure completion by reminding managers of the importance of this, asking managers to follow up with employees who have not completed the course.

Management Response
Agreed. Reminder emails will be sent to employees with PC access who have not completed either of the two programmes (HR to cover Fraud Awareness training follow-up in the absence of a Head of Finance) and to escalate non-compliance with eventual move to potential misconduct investigation. HR will engage with Heads of Service for front-line teams to identify the most practical ways to deliver training to the greatest proportion of employees in these jobs.

Target Date: September 2023 (for work to commence to identify employees who have not completed training where it is mandatory). December 2023 for employees for whom the mandatory training is required and who have access to a PC. March 2024 for employees for who the training in these two courses is

		required and who do not have ready access to a PC at work.

CONCLUSION	▶ Gedling Borough Council's Workforce Strategy is strongly aligned with corporate objectives and priorities. The Council has many innovative staff development, recruitment and retention initiatives. These include the provision of person-specific training plans as part of career-graded training, internal training workshops to develop staff, market supplements and pay increases
	▶ The Council needs to make improvements to workforce planning by identifying critical roles, carrying out capacity reviews, and succession planning to ensure that it can deliver its services.
	▶ Furthermore, while the Council's PDR process and training initiatives are robust in their design, these are not complied with, limiting their operational effectiveness. The Council must ensure the completion of PDRs and mandatory training so that the skills base of staff is reviewed and developed
	▶ This led us to conclude Moderate assurance over the adequacy of the design of controls and Limited assurance over the operational effectiveness of the controls pertaining to the Workforce Strategy. We have raised three recommendations: one high, and two medium priority
	▶ Importantly, we also believe the finding around PDR compliance and training compliance, speaks to elements of the culture at the Council. These are important functions to ensure an effective culture where staff complete their PDR process to ensure the workforce is empowered, accountable and continuously developing.

MAIN FINANCIAL SYSTEMS

EXECUTIVE SUMMARY

CRR REFERENCE: FAILURE TO MAINTAIN FINANCIAL INTEGRITY

Design Opinion	🟠 Moderate	Design Effectiveness	🟠 Moderate

Recommendations	🔴 0	🟠 3	🟢 3

SCOPE

BACKGROUND

Local authorities are required to maintain sufficient effective controls over their main financial systems to support effective management of resources. Financial controls play an important role in ensuring the accuracy of reporting, eliminating fraud and protecting the organisation's resources, both physical and intangible. These internal control procedures reduce process variation, leading to more predictable outcomes. We undertake cyclical reviews of the Council's main financial systems (MFS), focussing on a different area each year. The focus of the 2022/23 review was treasury management and payroll policies/procedures.

Treasury Management

Good treasury management is a key element of the effective management of working capital, ensuring that the organisation has cash available to meet its obligations while ensuring any surplus cash is invested in accordance with the Council's appetite for risk and return.

Legislation requires local authorities to comply with statutory practices for its treasury management, including CIPFA's Treasury Management in the Public Services Code of Practice (the Code of Practice) and CIPFA's Prudential Code for Capital Finance (the Prudential Code). These set the statutory reporting requirements, borrowing limitations and provides guidance on good treasury management practices. From April 2023, the frequency of statutory reporting to committees on investment and borrowing activity has increased to quarterly. Previously it was half-yearly. The Council reported the following information to Cabinet in 2022/23:

- The minimum revenue provision (MRP) policy statement
- The borrowing strategy
- The annual investment strategy
- Capital affordability prudential indicators for 2022/23 to 2024/25.

Payroll

Payroll is a key function for local authorities, to ensure employees are paid accurately and in a timely manner. Policies and process should be sufficiently robust to ensure that statutory and other deductions are process accurately, including: income tax, national insurance and pension contributions. The Council use the MyView system to manage its payroll.

AREAS REVIEWED

We reviewed the following areas as part of this audit:

- ▶ The Treasury Management Strategy to assess whether it had been prepared in accordance with statutory guidelines, and had been approved by Members in a timely manner
- ▶ Operational policies and procedures and treasury management practices to assess whether they were clear and up-to-date
- ▶ Whether effective treasury risk management arrangements were in place, with controls monitored through the Council's governance structures and that they were compatible with the Treasury Management Strategy
- ▶ Whether the Scheme of Delegation was in place for the approval of investment and borrowing transactions and that this was complied with. We reviewed a sample of money market funds and short-term deposits to assess whether these were with approved counterparties, were within counter-party limits and were approved in line with the Scheme of Delegation

▶ Treasury management performance reports to ensure that they were prepared and presented to Members in accordance with proper practice and in a timely manner

▶ Controls in place to support accurate cash flow forecasting and monitoring, which would inform treasury management activity. We obtained a sample of three forecasts to assess whether these were prepared using accurate supporting information and were reviewed at an appropriate level

▶ A sample of bank reconciliations and loan statements to identify if whether they were completed in a timely manner and were subject to a segregation of duties. We also assessed if whether variances were investigated and corrected after appropriate authorisations

▶ Obtained and assess policies and procedures for payroll ensuring they address starters and leavers

▶ A sample of 10 employees to confirm they were paid correctly and on time, in line with the Council's procedures

▶ Controls to manage amendments to the payroll system and restrictions on access

▶ Payroll reconciliations between January and March 2023 to verify that they have been completed and segregation of duties is in place

▶ Management reporting of payroll ensuring it is regular and reported upwards in the Council.

AREAS OF STRENGTH

We identified the following areas of good practice:

Treasury Management

▶ The Council's Treasury Management Strategy is in line with guidelines and requirements of the Prudential Code and the Code of Practice. The Treasury Management Strategy identifies the Council's approach towards investments and borrowing, including its low-risk appetite. This strategy, along with the prudential and treasury indicators and the Treasury Management Statement were present to and approved by Cabinet in February 2022. The strategy for 2023/24 was approved by Cabinet in February 2023

▶ The Treasury Management Statement has due consideration for the environmental, social and governance (ESG) implications of its investments. While the primary focus is returns, the Council assess ESG via the creditworthiness of counterparties and advice from Link, its treasury advisors

▶ We reviewed five money market fund transactions and five loan investments and found that in all instances the deal was within the counterparty limits (less than £3m invested with a fund at any given time), and evidence of authorisation was maintained to enter into the deal and for the payment to the counterparty

▶ Quarterly reporting to Cabinet of treasury management activity and performance against the prudential indicators was compliant with the Prudential Code and provided adequate information to support effective oversight of the treasury management position and returns on investment

▶ The Assistant Treasury Accountant prepares a weekly loan statement for the Financial Services Manager summarising the cash balances, loan repayments, borrowings and investment activity. This is checked by the Principal Business Partner each week.

Payroll

▶ We reperformed 10 salary payments to staff and confirmed that they were paid accurately based on the employee's annual salary. All staff were paid on 25th of the month (or the closest available date if that fell on a weekend) in accordance with the Council's pay policy. Deductions for income tax, national insurance and pension contributions we applied accurately

▶ We reviewed 10 new starters between April 2022 and March 2023 and confirmed that a starter form was completed, payroll checklist was populated and reviewed by the HR Team. In all instances, the forms were also approved by the Payroll Team, demonstrating segregation of duties. We also confirmed that a final sign-off was completed against the payslip by the Payroll Team to verify that the salary payment has been made in accordance with the new starter form information. The start date on the starter forms agreed to the date on the MyView system and staff were added to payroll in a timely manner

▶ We reviewed 10 leavers and confirmed that a leaver form had been completed by the employee's line manager before being submitted to the Payroll Team. We confirmed that the amount paid to the employee on teir final payslip was consistent with the final salary payment on the checklist, which was signed off by a different team member. The leaving date on MyView agreed to the leavers form in all instances and they were removed from the system promptly

▶ The Council conduct two types of payroll reconciliations. We reviewed the tax and national insurance contributions reconciliation from January to March 2023 and confirmed in that instance the figures reconciled, to ensure that payments were made to HMRC correctly. Prior to the payment being made, a voucher is raised by the Payroll Officer which notes the amount of income tax and national insurance to be paid to the HMRC. This is checked by the Assistant Account to ensure that the figures balance, maintaining a segregation of duties. A final check is then also completed by the Payroll Officer by reconciling the costings report, payment run summary and BACs report to ensure all figures balance. The Payroll Officer also performs a monthly net pay reconciliation to verify the accuracy of salary payments made to staff and identify discrepancies.

From review of the reconciliations over the same period, any discrepancies were investigated and explained

- Adequate controls for managing the payroll are in place as a BACs Salaries Authorisation sheet is generated by the Payroll Officer which outlines the payment date, number of payments and the total BACs amount and signed by the Financial Services Manager, who then approve the payments on the system, Access Pay. We reviewed the Authorisation sheets from January 2023 to March 2023 and confirmed the BACs amounts matched the reconciliations and signatories were evidenced to demonstrate management oversight prior to payments being made
- The Council issue staff a copy of its Payroll Procedures Handbook which clearly outlines a range of HR policies, including health and safety, flexible working, salary payments, annual leave entitlements, among others. This provides clear and concise guidance to staff.

AREAS OF CONCERN

Finding	Recommendation and Management Response
The Council have not adopted a set of TMPs, contrary to the requirements of the Code of Practice (Finding 1 - Medium)	The Council should develop its TMPs in accordance with the recommended framework in Section 7 and 8 of the Code of Practice or review its existing draft TMPs and adopt them. These should be formally reviewed by the Financial Services Manager prior to approval from the Audit Committee, or another appropriate committee. Management Response The TMP was updated in 2021, but due to staff changes it did not go to Cabinet for approval. However, the bones of it are definitely there and the TMSS was updated as a stand-alone item due to staffing changes, but we do feel that the TMSS provides great detail and contains all the relevant information that the TMP would have included, and we do not feel that the TMSS has been compromised in anyway because the TMP had not been updated. We will update the TMP for the next TMSS 2024/25 which will go to Cabinet for approval in February 2024. Target Date: February 2024
A risk register is not in place to monitor treasury-related risks. There are links to the Corporate Risk Dashboard but these were not specifically relating to macroeconomic factors impacting treasury management or procedural risks (Finding 2 - Medium)	The Council should identify and monitor treasury management risks, which should be captured in a separate risk register, to be managed by the Finance Team. Risks should be monitored on a quarterly basis, with high or significant risks reported to the Audit Committee to provide assurance appropriate controls are in place to mitigate the risks. Potential treasury management risks may include the following: • Loss of capital investment due to a counterparty collapsing; the Council loses its principal investment or an investment becomes impaired • Pooled fund investments lose value; the value of the Council's units held in pooled fund investments decreases • Increase in interest rates; increasing the cost of any planned borrowings in the Medium-Term Financial Plan • Money laundering by external parties • Lack of a separation of duties; separation of duty controls are manually overridden resulting in deals with unauthorised

<table>
<tr>
<td></td>
<td></td>
<td>counterparties and/or over counterparty limits
• Payment processing; fraudulent payments to counterparties are processed leading to a loss of monies.

<u>Management Response</u>
All the risks are set out in the TMSS and reviewed, with some comments made on changes to the risk, in the quarterly reporting to Cabinet. The draft TMPs draft does contain a section for the main treasury risks and once this is updated it will be used to set out the risks. We will also adopt a separate risk register which will be presented to SLT and CMT quarterly for monitoring, and include a separate risk section in the quarterly Treasury Management reports from Quarter 3.

Target Date: January 2024</td>
</tr>
<tr>
<td></td>
<td>Reconciliations between the bank account and Agresso between November 2022 and January 2023 were not prepared and reviewed in a timely manner (Finding 3 - Medium)</td>
<td>Bank reconciliations should be prepared by the Assistant Treasury Accountant and reviewed by management within two weeks of the end of the month it relates to. This will ensure that variances are identified early for timely investigation and resolution and will also verify the month end cash position from a treasury perspective.

<u>Management Response</u>
This is a recent issue due to staffing capacity within the team and reliance on one individual to complete the reconciliations on time. More staff in the Finance Team are being trained to increase resilience to cover the reconciliation backlog.

Target Date: October 2023</td>
</tr>
<tr>
<td></td>
<td>The Scheme of Delegation for authorising daily treasury deals is not formally defined in the Treasury Management Strategy, however they are recorded on the daily dealing spreadsheet (Finding 4 – Low)</td>
<td>The Council should formally document the authorisation limits for treasury daily dealings within its Treasury Management Practices (raised in Finding 1). The TMPs should also outline the requirement for maintaining segregation of duties when processing transactions.

<u>Management Response</u>
There is a Scheme of Delegation which is documented on the daily sheets that are authorised as part of the deals process. However, no amounts are specified in the TM Strategy but are included in the TM Policy. We will include delegation limits in the TMSS and highlight in quarterly monitoring any changes to these.

Target Date: February 2024</td>
</tr>
<tr>
<td></td>
<td>Evidence is not retained for the monthly monitoring and review of the cashflow reports (Finding 5 – Low)</td>
<td>The Financial Services Manager should review the cash flow forecast report at least monthly to ensure errors are identified and information has been updated correctly to reflect an accurate cashflow position.

<u>Management Response</u></td>
</tr>
</table>

		The cashflow reports are reviewed by the Financial Services Manager at least monthly but this is an informal process, so we will ensure these are formally signed off going forward. Target Date: October 2023
	Payroll procedure guidance was not in place for how to process leavers which could impact consistency and compliance with processes (Finding 6 – Low)	a. The Council should review and update the leaver checklist to ensure it requires the Payroll Team to confirm that the leaver has been removed from the payroll and is not to be paid in the following month b. A procedure note should be developed to define roles and responsibilities for the Payroll Team and to clearly outline the process for recording a leaver on MyView. Management Response Accepted – the Payroll Procedure notes will be developed to clearly identify the roles of the Payroll Team and the processes for recording changes to the payroll on MyView. Target Date: October 2023

CONCLUSION

Overall, the Council have moderate controls to manage its treasury function and administration of payroll. Across our sample testing of investments, borrowing, new starters and leavers, these processes were broadly followed, leading us to conclude that the control effectiveness was also Moderate.

Treasury management in the public sector is regulated by the Prudential Code and the Code of Practice. The Council have not adopted an up-to-date set of TMPs which is non-compliant with the Code of Practice. Additionally, while risks are monitored through the Corporate Risk Dashboard, there was not a specific risk register to manage treasury risks.

Similarly, there were robust controls in place to reconcile the payroll report with the BACs reports and a separation of duties was maintained throughout the monthly process. However, if procedures for administering leavers was documented, this would improve the control environment.

Page 47

COUNCIL TAX AND NNDR

EXECUTIVE SUMMARY

CRR REFERENCE: FAILURE TO PREVENT BUDGET OVERHEATING AND FAILURE TO MAINTAIN FINANCIAL INTEGRITY

Design Opinion	● Substantial	Design Effectiveness	● Substantial

Recommendations	0	1	1
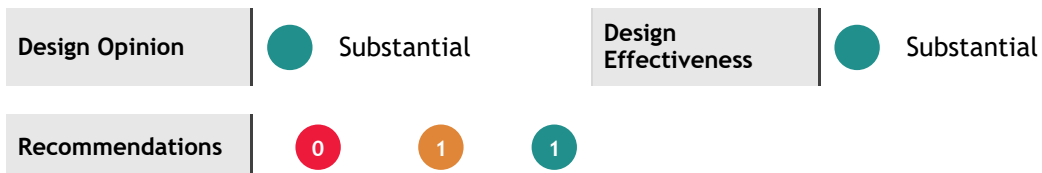
SCOPE

BACKGROUND

▶ Gedling Borough Council (the Council) are responsible for charging and collecting Council Tax within the borough. All residential properties are allocated to a council tax band, set by the Valuation Office Agency (VOA) and the Council charge an annual Council Tax fee for each band. These differ between parishes. Discounts and exemptions are available to residents, where applicable, based on national legislation. For example, these are for: single person discount, students, disability, etc. The Council use the Civica Open Revenues system to manage and administer council tax and business rates/national non-domestic rates (NNDR)

▶ The Council receive NNDR from commercial properties. Business rates are a tax on the occupation of non-domestic properties like shops, offices, pubs, warehouses and factories. The Valuation Office Agency (VOA) calculates a rateable value for each commercial property every five years. To calculate an occupier's business rates liability a multiplier is applied to the rateable value. For properties with a rateable value over £51,000 the higher multiplier of 51.2% is used and for properties below £51,000 the lower multiplier of 49.9% is used. These multipliers have remained stagnant since 2020/21. As of the 28 June 2023 there were 54,385 residential properties liable for council tax and 2,628 commercial properties liable for NNDR within the Council's boundaries

▶ The Council collected £81.819m in council tax in 2022/23, up from the 77.763m collected in 2021/22, despite a 0.2% decrease in the collection rate. The council tax collection rate in 2022/23 was 97.8%, which was 0.6% higher than the average collection rate across all local authorities in England

▶ The Council collected £23.801m in NNDR in 2022/23 with a collection rate of 98.3%, up £4.482m from 2021/22. The Council's collection rate improved by 0.1% from the prior year and was significantly higher (1.4%) than the average collection rate across all local authorities in England

▶ Council tax and NNDR collection rates are reported by the Revenues Manager on the Pentana performance dashboard. As of July 2023, cumulative collection rates for 2023/24 for council tax was 37.1% (0.3% behind the target) and NNDR was 38.7% (1.6% ahead of the target)

▶ Debt recovery action was suspended during Covid-19 but resumed gradually from August 2020 with first reminder letters recommencing and cases being transferred to the Council's enforcement agents from February 2021. Court hearings were also suspended leading to a significant backlog when they resumed. However, court summons are now happening again for debtors

▶ We previously undertook a Council Tax/NNDR review in 2020-21 where we provided Substantial assurance on the Council's control design and effectiveness for the management of council tax and NNDR. Two Low findings were raised around processes for ongoing monitoring of the application of discounts and the Fair Collection and Recovery Policy had not been updated to reflect revised debt collection processes during the Covid-19 pandemic.

AREAS REVIEWED

We reviewed the following areas:

▶ The Council Tax and NNDR policies and procedures, including the Council Tax Reduction Scheme and Debt Recovery Policy, to assess whether these were adequate, up-to-date and subject to appropriate approval

▶ A sample of summary reconciliations completed between the VOA listings and Civica twice a week to ensure variances investigated and followed up appropriately with the VOA. We also

reviewed the Council's full reconciliation between the two databases, which is undertaken three times a quarter, to assess whether these accurately capture any variances

▶ A sample of 10 Council Tax and 10 NNDR occupiers that were added in the past 12 months to assess whether they were billed and income was collected accurately and in a timely manner

▶ A sample of 10 customers in arrears to assess whether adequate debt recovery action has been taken following the reinstatement of debt recovery procedures in August 2022. This included customers with larger and historic arrears, as well as arrears arising in 2022/23 and 2023/24

▶ A sample of 10 Council Tax and NNDR debt write-offs to assess whether these have been requested via a write-off request form and approved in accordance with the Scheme of Delegation and within a timely manner

▶ A sample of 5 NNDR and 5 Council Tax customers in receipt of discounts, disregards and exemptions to assess whether an application form was received with sufficient evidence to support the billing amendment and that it has been applied by the automated calculator on Civica accurately

▶ The Council's procedures for monitoring ongoing eligibility for discounts and exemptions to assess whether sufficient reconfirmation from customers is obtained. This included review of the National Fraud Initiative and Single Person Discount review

▶ The performance monitoring of council tax and NNDR collection and on the Pentana dashboard, including quality of data reported and timeliness of reporting to the Senior Leadership Team (SLT).

AREAS OF STRENGTH

We identified the following areas of good practice:

▶ The Council has robust policies and procedures for the management of its Council Tax Reduction Scheme (CTRS) and debt recovery. These were approved at an appropriate level and within a reasonable timeframe, i.e. within the past year

▶ The Council's procedures for monitoring ongoing eligibility of discounts, disregards and exemptions were adequate and proportionate. Single Person Discount (SPD) reviews are undertaken every three years, using Experian to conduct checks of all occupiers receiving SPD to other databases, such as the Electoral Register, to identify potential fraudulent claiming of discounts. It also takes part in the National Fraud Initiative (NFI) where annual checks of records across a range of databases are undertaken to identify potential higher risk cases. From these reviews, all high-risk cases or potential inappropriate applications of SPD are contacted to confirm their ongoing eligibility. If no response is received or there has been a change in circumstances, resulting in the occupier no longer being eligible for SPD, it is removed. Other discounts/exemptions, such as student exemption of council tax, have an end date input into Civica so the discount automatically ceases if not renewed by the occupier. We reviewed 20 council tax and NNDR discounts, disregards and exemptions (10 of each) and confirmed that these had been calculated accurately and applications were supported by appropriate evidence

▶ Reconciliations between the Civica database and the VOA's summary reports were undertaken regularly with investigations into any variances. The Council also reconcile the full VOA database of its properties to Civica three times a year to identify any variances between property bandings or rateable values. This has found that property bands and rateable values in Civica are accurate, which ensures customers are billed correctly

▶ Civica automatically calculates the council tax and NNDR liability based on the number of chargeable days between the liability start date entered into the system and the end of the financial year. We reviewed 20 new liabilities (10 for each) and verified that these had been calculated accurately

▶ Proactive action was taken to recover overdue council tax and NNDR debts. We reviewed 10 accounts in arrears, focusing on large amounts or those that were longer overdue, and found that reminders were consistently sent to debtors. Furthermore, liability orders and court summons were used to recover debts allowing the Council to recover income through methods such as an attachment of earnings or referrals to debt enforcement agents. During the Covid-19 pandemic, nationally recovery action was terminated and all Magistrates' Court hearings cancelled. Statutory (Stage 2) reminders resumed in August 2020 and hearings in the Magistrates' Court recommencing in November 2020. Restrictions on the use of enforcement agents remained in place until February 2021. Soft reminder letters were issued to debtors from June 2020 to ascertain support that could be provided to help pay the outstanding balances

▶ Council tax and NNDR collection rates, the percentage of tasks completed within 14 days and the number of summonses issued are recorded monthly on the Pentana performance dashboard by the Revenues Manager. These provide a comparison to the monthly and cumulative target and a RAG rating depending on whether this is being met. The Revenues Manager also provides notes to explain reasons for performance trends for KPIs. The SLT have direct access to Pentana to

	review the suite of KPIs. Additionally, as the CEO is the only current member of SLT, the collection rates were reported in the SLT's Quarterly Performance Pack.

ADDED VALUE

We benchmarked the Council's council tax and NNDR collection rates to other local authorities in Nottinghamshire. The Council had better collection performance than most of the other local authorities, with the second highest council tax collection rate at 97.8%. This compares to Ashfield District Council, Bassetlaw District Council and Mansfield District Council whose collection rates ranged between 95.8% and 96.4%. The amount billed to occupiers (£83.653m) was similar to these other authorities.

The Council's collection performance for NNDR was marginally lower with the fourth highest collection rate however, it was still comparable with the other authorities. Although, it did have the lowest value of billing of the seven authorities.

AREAS OF CONCERN

Finding	Recommendation and Management Response
In eight instances (80%) of new NNDR liabilities reviewed, the bill was not issued to the occupier within 14 days of the Council being notified of the new liability (Finding 1 - Medium)	a. The Council should review a sample of overdue NNDR workflow items periodically to identify the root cause of these delays and identify clear actions to minimise these b. The Revenues Team Leader should undertake a weekly review of the red cases on the Civica workflow report and to identify clear actions for the overdue cases to ensure they are completed. This should include an analysis of the root cause of the delays for these NNDR cases, to implement measures to improve the timeliness of items c. The Council should document an assessment regarding increasing its resource/capacity in the Revenues Team to ensure tasks can be completed in a timely manner. Management Response a. Team leaders provide monthly KPI figures to the Revenues Manager and will utilise this process to provide a status report should NNDR workflow items be of a concern, this will allow the Revenues Manager to provide more data to senior leadership with the Pentana system b. Team leaders will review overdue work items (red items) weekly in an effort to identify and resolve issues that may be causing the delay to the work items being processed in a timely manner c. There are resources issues in the Revenues Team and the Revenues Manager, with senior management, will review the structure and resource distribution in an effort to overcome these issues by the 31st December 2023. Target Date: December 2023 (for all)
Write-offs are only processed annually at the end of the financial year, potentially resulting in the Council expending its resources on attempting to recover debts less likely to be recovered due to the time period since they were first due. Furthermore, there was one	In accordance with Recommendation 1c, the Council should consider the resourcing available to the Revenues Team to allow write-offs to be processed quarterly. Alternatively, if the Council wish to continue its annual write-

write off request form that took almost four years to approve (Finding 2 - Low)	off process, this should be recorded in its Financial Regulations. Management Response It is accepted that the Council consider the resourcing available to the revenues team and as mentioned in Finding 1, the Revenues Manager with senior management, will review the structure and resource distribution in an effort to overcome these issues by the 31st December 2023. The present two-step process allows write-offs to be processed daily in so much that they are recorded on the revenues account as awaiting formal authorisation. This prevents unnecessary enforcement and allows any proposed cases to be easily identified, amended, reversed and reported upon. Formal authorisation for the write-offs will be sought periodically in the financial year. Target Date: December 2023

CONCLUSION

Overall, the Council have substantial controls for its management of council tax and NNDR and these were implemented effectively by the Revenues Team.

The Civica system used to manage council tax and NNDR supported effective administration of accounts, including accurate billing of new occupiers, effective debt recovery and appropriate application of discounts and exemptions. Furthermore, despite its limited resources, the Revenues Team maintained robust control of council tax and NNDR, governed by strong policies and procedures.

Collection procedures were adequate, with debt recovery action taken with suppliers that do not pay in line with the Council's credit terms. For 2022/23, the Council's collection rates for council tax and NNDR were 97.8% and 98.3% respectively. This was higher than the average for councils in Nottinghamshire and across England.

Some issues were identified around the timeliness of billing for new NNDR occupiers which could impact the Council's receipt of income. Additionally, write-offs are only processed annually. These were driven by the resource challenges in the Revenues Team and the simultaneous increase in demand for it to administer government-issued grants.

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 management and Members.

THE GOVERNMENT HAVE LAUNCHED ITS NEW SPORTS STRATEGY TO GET AN ADDITIONAL 3.5 MILLION ADULTS AND CHILDREN PHYSICALLY ACTIVE BY 2030

The Government will work with former sports stars, health professionals and fitness experts to help an additional 3.5 million adults and children get physically active by 2030, as part of a major national activity drive. On 30 August 2023, the Government launched its 'Get Active: a strategy for the future of sport and physical activity' targeting an improvement in sports facilities, a strong network of sports clubs that are open to everyone, better physical activity and sport in schools, and confidence in sport and the sector to improve physical and mental well-being in the community.

At the heart of the strategy are the core three priorities:

1. Being unapologetically ambitious in making the nation more active, whether in government or in the sport sector;

2. Making sport and physical activity more inclusive and welcoming for all so that everyone can have confidence that there is a place for them in sport; and

3. Moving towards a more sustainable sector that is more financially resilient and robust.

In response to the launch of the strategy, the Local Government Association have acknowledged the efforts of local authorities to prioritise public sport and provide leisure facilities to local communities, despite the financial challenges driven by Covid-19 and the cost-of-living crisis. However, the Chair of its Culture, Tourism and Sport Board noted that "more needs to be done at pace to integrate sport and recreation services into health systems and to invest in sport and recreation at grassroots and community level".

The Chief Executive of Sport England, Tim Hollingsworth, has welcomed the new strategy, recognising the importance of significant and sustained commitment across the public and private sector to promote and facilitate more physical activity.

LGA Statement on Sports Strategy | Local Government Association

Sport England's Statement on the Government's New Sports Strategy | Sport England

Get Active: a strategy for the future of sport and physical activity | Department for Culture, Media and Sport

FOR INFORMATION

For the Audit Committee Members and Senior Leadership Team

LOCATION DATA CAN HELP BUILD THE ELECTRIC VEHICLE CHARGING POINT NETWORK OF THE FUTURE

By 2030, the sale of new petrol and diesel cars will be phased out and by 2035 all new cars and vans will be zero emission. In December 2022 the Geospatial Commission, an independent expert committee within the Department for Science, Innovation and Technology, published 'Getting to the Point' explaining how better use of location data can support the siting of charge point infrastructure. Using location data provides valuable insights customer demand to ensure that charge points are placed in suitable locations to meet local needs and drive a seamless consumer experience of electric vehicle charging.

Building on this report, the Geospatial Commission have released a supplementary report for local authorities on how they can use location data to direct the installations of charging points. While private operators are likely to cover high traffic areas to meet demand, local authorities are increasingly turning their attentions to poorly served, often rural areas to maintain social inclusivity in the communities. To effectively deliver this, local authorities will need to cooperate across administrative boundaries to deliver a coordinated provision of charging points across the road network. They will need to understand charging demand including from visitors originating outside their area, the locations of commercial and private charge points and the better integration of the provision on local and strategic road networks.

Central to the rollout of electric vehicle charging points is a clear understanding of the existing and planned built environment is important too. This includes highways and road networks, pavement suitability, pavement width, street furniture, building and property types, car parks, whether the land is publicly or privately owned, residential parking, planned buildings, off-street parking and accessibility data. Additionally, an understanding of the availability of energy in these locations is critical to the placement of charging points. Databases available to public sector organisations, such as Ordnance Survey's Data Hub, provide detailed data on road networks, buildings and boundaries. Distribution network operators data on grid capacity and mobile network operators provide aggregated and anonymised data on population movement patterns. The Geospatial Commission recommends in their report that local authorities should adopt a data-driven approach to its strategic rollout of charging points.

Charging Ahead: Using location data to boost local EV charge point rollout| The Geospatial Commission

FOR INFORMATION

For the Audit Committee Members and Senior Leadership Team

26 ENGLISH COUNCILS COULD ISSUE SECTION 114 NOTICES IN THE NEXT TWO YEARS

Research conducted by the Special Interest Group of Municipal Authorities (SIGOMA) has found that 26 local authorities in England could issue Section 114 notices, as a result of not being able to balance the annual budget, in the next two financial years. Five councils that form part of SIGOMA have declared that they could issue a Section 114 notice in the current financial year, with a further nine members issuing a Section 114 notice next year. According to SIGOMA's survey, the most common reasons for financial pressures were increasing demand for children's and adult social care, inflationary costs and wage rises, and increased borrowing costs are set to add to the financial pressures.

In response to the report, the Government reaffirmed its priority to halve inflation in addition to its commitment to a one-off funding guarantee to at least a 3% increase in core spending powers of every council before any local decision on council tax rates. It has also stated that it is providing around £2bn in additional grants for social care.

Councils in Section 114 Warning| LocalGov

FOR INFORMATION

For the Audit Committee Members and Senior Leadership Team

FINANCE NAMED AS MAJOR BARRIER TO INTEGRATED CARE SYSTEM SUCCESS

NHS Confederation released a report looking at the state of the systems one year after they became operational, optimistically subtitled "riding the storm", following a survey of leaders.

They have faced challenges such as the cost-of-living crisis, significant winter pressure, industrial action and a huge backlog of care.

Nearly half (45%) named 'lack of funding for social care' or 'current financial position of the NHS' in their top three barriers over the coming two years – only below 'pressure on and morale of the workforce' (53%) among concerns.

"ICS leaders are proud of the progress they've made in really tough conditions but they are deeply frustrated by some of the potentially soluble barriers that are hindering the extent to which they can get on with transforming services for their local communities," said director of NHS Confederation's ICS network Sarah Walter.

"They want to see these tackled urgently if ICSs are to fulfil their full potential."

In March, NHS England told integrated care boards they should plan for a 30% cut in their running costs by 2025-26 – even before adjusting for inflation, which means the real-terms cut could be closer to 40%.

Finance Named as Major Barrier to ICS Success | Public Finance

FOR INFORMATION

For the Audit Committee Members and Senior Leadership Team

NAO REPORT: WHOLE OF GOVERNMENT ACCOUNTS 2020-21

The National Audit Office has published the C&AG's audit certificate and report on the Whole of Government Accounts 2020-21 (WGA). The financial statements were qualified due to:
- The non-consolidation of 155 components designated to the public sector;
- The definition and application of the accounting boundary;
- The inconsistent application of accounting policies;
- Qualifications in relation to the underlying statutory audits of bodies falling within the accounts including two that are significant - the Department of Health and Social Care, and the Department for Environment, Food and Rural Affairs;
- The consolidation of components with non-coterminous year ends; and
- The consolidation of components whose accounts have not been audited.

Whole Government Account 2020-21 | HM Treasury

FOR INFORMATION

For the Governance and Scrutiny 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, individual audit meetings and contract reviews have been attended by either the Director or Audit Manager.	G
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.	G
Quality of Work	Only one survey response for 22/23 was received, scoring 5/5 feedback on the value added by the audit. We will continue to send surveys out to officers with final report.	G
Completion of audit plan	We have completed all the fieldwork for the 22/23 IA Plan and work has commenced for 23/24 reviews. One report has been finalised, with four other reviews in the fieldwork or reporting phase and scoping has taken place for all reviews.	M

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.

Page 57

This page is intentionally left blank

GEDLING BOROUGH COUNCIL
INTERNAL AUDIT REPORT

WORKFORCE STRATEGY
AUGUST 2023

Design Opinion	🟠	Moderate
Design Effectiveness	🔴	Limited

IDEAS | PEOPLE | TRUST

BDO

CONTENTS

DISTRIBUTION	
Mike Hill	Chief Executive Officer
Francesca Whyley	Head of Governance and Customer Services
David Archer	Head of HR, Performance and Service Planning
Andrea Snodin	HR & Training Manager

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
	Bismah Rahman – Internal Auditor
Dates work performed:	3 January – 26 July 2023, with a break in the review due to resources at the Council
Draft report issued:	27 July 2023
Final report issued:	30 August 2023

EXECUTIVE SUMMARY

Design Opinion	⬤ Moderate	Design Effectiveness	⬤ Limited

Recommendations	**1**	**2**	**0**

SCOPE

BACKGROUND

Workforce planning is having the right number of people with the right skills in the right jobs at the right time. It is the business process that aligns staffing with the strategic missions and critical needs of an organisation. It also forecasts the department's future workforce needs to ensure organisations will continue to thrive due to a talented and competent workforce. Workforce planning also considers the well-being of staff and the career progression opportunities of individuals, which should be incorporated into the workforce strategy.

The 2020-23 Gedling Plan includes 'Examples of Achievements and Activities', which states how the 2019/20 Gedling Plan included an action to produce a Workforce Strategy for the period 2020/23. Due to conflicting priorities presented by the Covid-19 pandemic this was not achieved on time, however, the strategy was approved for implementation from 1 April 2021. The strategy demonstrates the "building blocks" already in place that make the organisation a strong, good, fair and business-like place to work but also identifies a clear set of actions that will further support and develop their workforce. This is a key area of focus at the moment for many local authorities in context of the Levelling Up agenda, ensuring the Council is able to both attract and retain skilled employees required to deliver services in this challenging environment, as well as provide good opportunities to the local population.

AREAS REVIEWED

We reviewed the adequacy and effectiveness of the arrangements in place at the Council for the development, roll out and monitoring of its Workforce Strategy. We sought to verify that the Strategy was based on credible assumptions and that workforce planning decisions were sustainable and realistic. We also reviewed how the Council's Workforce Strategy corresponded to the Gedling Plan. We examined arrangements to enable reporting against actions identified through the Strategy, aiming to understand how the Council remains proactive to address potential staffing level pitfalls, and reviewed training plans to verify whether continuous training and development to improve the skills mix and expand skills of staff were in place to address capacity issues. Finally, we benchmarked the Council's workforce planning approach against best practices.

AREAS OF STRENGTH

During our review, we identified the following areas of good practice:

Workforce Strategy's Alignment with Objectives

▶ Following a review of documentation, we confirmed that the Workforce Strategy is aligned with corporate objectives and priorities. The Strategy is designed according to Local Government Association strategic workforce priorities. The actions identified in the Strategy are aligned

Page 61

with the Gedling Plan 2020-23. The Gedling Plan 2020-23 covers the same priorities as the draft Gedling Plan for 2023-27, therefore the Strategy remains relevant. Furthermore, a report to the Appointments and Conditions of Service Committee on 17 March 2021 confirmed that the Strategy was developed and agreed in consultation with Council Members as well as senior management. This report also detailed contribution to, and approval of, the Strategy by the Joint Consultative and Safety Committee, which is attended by Trade Unions. Therefore, key stakeholders were consulted during the creation of the Workforce Strategy, ensuring that it aligns with corporate objectives.

Staff Development, Recruitment and Retention

▸ To develop the skills base of its staff, the Council has various training initiatives. The Council offers career-graded training, which involves hiring individuals for a job of a higher grade and training them (through qualifications and on-the-job learning) so that they can fulfil the role to the required standard. This enables new and existing staff to grow and develop through person-specific training plans, whilst helping to mitigate staff capacity and retention issues, particularly for specialist roles which are difficult to fill. The Council also has a 'Carousel of Learning' programme to cover training for management, focusing on general management skills and policy knowledge. Sessions are delivered every 2-3 months according to demand.

▸ To recruit and retain staff, the Council has adopted various pay policies. The Council pays market supplements, which involves a temporary pay increase for all employees within a specific group. This includes roles where there is high turnover, where there is difficulty recruiting (specialist roles, for example), or to provide a competitive offering with like jobs in the sector. In response to the Cost of Living Crisis, the Council also awarded a retention payment of £250 in December 2022 to all employees on Band 7 and below (more than half of the workforce).

▸ As outlined in its Strategy, the Council carried out a Staff Survey in 2021, and has taken on board feedback from this to help retain staff. A report to the Senior Leadership Team (SLT) outlined the survey results, and actions arising from these. These actions were reported as recommendations, and all recommendations were accepted. Progress against these is monitored using the Council's management reporting tool, Pentana. The Council is therefore clearly working to retain staff by pinpointing and addressing any staff issues early on, recognising that those closest to the work have important perspectives on current and future workforce needs.

Management Reporting

▸ The Workforce Strategy is reported on using the Council's management reporting tool, Pentana. Progress against the seven actions from the Strategy is monitored and reported on quarterly to SLT, and a responsible individual and due date is specified for each action. Four actions are complete, and the Council is monitoring progress of the three remaining actions.

AREAS OF CONCERN

During our review, the following areas for improvement were identified:

▸ A low Performance Development Review (PDR) completion rate impacts the ability of the Council to fully review the skills base of all staff to ensure staff have the necessary skills and tools - including training - to undertake their roles, deliver to expected standards and ensure future development opportunities (Finding 1, High)

	▶ The Council has not mapped and documented key or critical roles within its structure, to ensure that if those roles were to become vacant there is sufficient contingency planning and notification time for finding and introducing a new individual (Finding 2, Medium)
	▶ Mandatory training is not completed by stipulated deadlines. (Finding 3, Medium).

CONCLUSION	▶ Gedling Borough Council's Workforce Strategy is strongly aligned with corporate objectives and priorities. The Council has many innovative staff development, recruitment and retention initiatives. These include the provision of person-specific training plans as part of career-graded training, internal training workshops to develop staff, market supplements and pay increases.
	▶ The Council needs to make improvements to workforce planning by identifying critical roles, carrying out capacity reviews, and succession planning to ensure that it can deliver its services.
	▶ Furthermore, while the Council's PDR process and training initiatives are robust in their design, these are not complied with, limiting their operational effectiveness. The Council must ensure the completion of PDRs and mandatory training so that the skills base of staff is reviewed and developed.
	▶ This led us to conclude Moderate assurance over the adequacy of the design of controls and Limited assurance over the operational effectiveness of the controls pertaining to the Workforce Strategy. We have raised three recommendations: one high, and two medium priority.
	▶ Importantly, we also believe the finding around PDR compliance and training compliance, speaks to elements of the culture at the Council. These are important functions to ensure an effective culture where staff complete their PDR process to ensure the workforce is empowered, accountable and continuously developing.
	▶ Details of minor issues and the proposed solutions can be found in the 'Observations' section below.

DETAILED FINDINGS

1	Performance Development Reviews (PDRs)

TOR Risk:	The skills base of staff is not reviewed to ensure they have the necessary skills and tools, including training, to undertake their roles, deliver to expected standards and ensure future development opportunities.
Significance	🔴 High

FINDING

The Council delivers training sessions to cover training for general management issues, as highlighted in the good practice section of this report. However, there is not an observed process in place for identifying and addressing training needs within the Council.

One of the actions in the Workforce Strategy stipulates: 'Where commonality of need is identified, to deliver training arising from PDRs in order to enable employees to better meet the requirements of the "Gedling Employee Standard"'. Interviews with HR found that training needs should be identified through annual Performance Development Reviews, following direct requests for training made by employees, or requests made by managers on behalf of their employees. Managers must ensure that PDRs are completed; and through PDRs, it is the responsibility of managers to flag employee training requirements with HR.

A discussion with the Head of HR, Performance and Service Planning found that owing to the Council's low completion rate of PDRs, training may not be identified and offered where needed. Having asked HR for training requests raised through the PDR process, we were informed that no training requests have been received for 2023. For 2022, the completion rate of PDRs was 20.3% across the Council. The Head of HR, Performance and Service Planning raised this issue with the CEO in a report to SLT in June 2022, asking for recommendations regarding next steps. The CEO sent an email to Heads of Service asking them to encourage managers to complete PDRs by the end of June 2022, however we cannot confirm whether completion rates for 2022 improved because the Council did not report on the completion rates again following the CEO's email. For 2023, the PDR window ran from January-April 2023; as of July 2023, the PDR completion rate is 44%.

If the Council does not ensure that PDRs are completed, there is a risk that individual and widespread staff development opportunities may not be identified (which, if actioned, could in turn plug workforce capability and capacity gaps), or other staff issues raised to help tackle attrition.

RECOMMENDATION

a. HR should remind managers of the necessity of PDR completion. This could be done through three emails: one reminder email in December, a month in advance of appraisal season; one email in January, at the beginning of PDR season; and the final email in March, to remind managers that the PDR window is about to close

b. SLT should also raise the completion of PDRs as a priority with Heads of Service and follow up with those Heads of Service where completion rates were particularly low

c. At the end of the annual appraisal season, HR should send an email to managers asking whether there are any training requests. This would help to ensure that training needs raised during PDRs are met. Recurring themes should be pulled together from contact with senior managers (Heads of Service) at the close of the PDR window.

MANAGEMENT RESPONSE

a. Agreed. Emails will be sent out by the HR team at the intervals identified

b. Agreed. The Head of HR will remind SLT by email of the importance of PDRs around the end of January so that they can cascade this to relevant Heads of Service through team briefings early enough in the process to ensure that the message is strong and timely.

c. Agreed. The email to determine if there are training needs will be sent at the end of the PDR season (around end April) and any recurring training themes identified and a practical and affordable method of training delivery will be proposed by HR.

Responsible Officer:	a. Head of HR, Performance and Service Planning
	b. Chief Executive
	c. HR & Training Manager
Implementation Date:	a. Ahead of and during the next PDR season (emails to be sent from December 2023 to March 2024)
	b. August 2023
	c. August 2023

Page 65

2	Identifying critical roles and carrying out capacity reviews
TOR Risks:	The workforce strategy does not identify key or critical roles in the Council to ensure there is sufficient notification time for finding and introducing a new individual. The Council does not complete regular risk assessments of its capacity of resources to ensure it is capable of delivering its services and ensure current or likely future skills shortages are identified and corrective action taken to reduce the need for agency staff. This information has not informed the workforce strategy.
Significance	● Medium

⊜ FINDING

The Council has a Workforce Strategy (2020-23), which is aligned to the 2020-23 Gedling Plan. The Strategy sets out the foundation in relation to workforce planning by identifying a set of actions to support and develop the Council's workforce, such as in long-term planning for recruitment and retention. For example, the Strategy emphasises the importance of performance development reviews, highlights training for new and existing staff, particularly managers (helping to grow internal staff to facilitate succession planning) and outlines an initiative to streamline and restructure management to optimise performance. Furthermore, by conducting risk assessments, tools and actions were identified by the Head of HR, Performance and Service Planning to tackle staffing issues. These include awarding pay increases and career-grading to enable new and existing staff to grow and develop through person-specific training plans, thereby helping to mitigate staff capacity and retention issues. This is particularly relevant for specialist roles which are difficult to fill due to specific qualifications or experience requirements as well as industry-wide competition.

Through our review of the Strategy, and our discussions with the Head of HR, Performance and Service Planning, we identified several key elements of workforce planning best practice which were not evident in the workforce planning process within the Council:

- Due to recent attrition and recruitment difficulties, there is increased awareness of critical roles, however, there is not a systematic approach for identifying these roles and measures to take should they become vacant. As a result, critical roles are not documented within the Council's structure to ensure that there is sufficient contingency planning and time for filling the vacancy.

- As the Council's approach is to recruit as vacancies arise, there is limited succession planning. The Council has not planned the roles and skills likely to be needed to ensure that it continues to deliver services. Through career-grading (as described above), there is succession planning for specialist roles within the HR Team (such as a HR Consultant/HR Business Partner), and for some officer-level roles in other departments of the Council (such as Planning and Environmental Health). However, the latter does not cover senior or other specialist roles.

If the Workforce Strategy does not mitigate risks to the recruitment and retention of staff in critical, specialist or senior roles, there is a risk that the Council is unable to fulfil its statutory duties and deliver critical services to the public, leading to potential harm to individuals, loss of income or poor service provision, resulting in reputational, operational, financial and legal consequences.

<table>
<tr><td>✎</td><td>RECOMMENDATION</td></tr>
</table>

a. The Council should identify and document all key and critical roles across all service areas. The document should outline next steps if these become vacant. Actions could include timelines for when critical vacancies should be filled by, and next steps if they are not filled.

Employment and Recruitment Agency Blue Arrow provides useful guidance for identifying key or critical roles, as roles that would meet at least one of the following criteria:
- They are critical to achieving the organisation's strategy, either in the design or the execution of that strategy. These are roles where the loss of a high-performing incumbent could result in organisational and, by extension, financial disruption.
- They are a source of the organisation's current comparative advantage; their capabilities provide differentiation which enables them to provide a service for customers that is unique, faster or done so at a lower cost.
- They are a source of the organisation's future comparative advantage; their capabilities will enable the organisation to excel in the future – according to future risks and opportunities, for example (this means that some critical roles may not yet exist).

b. Discussions with the Head of HR, Performance and Service Planning highlighted that the Council would like to foster a systematic approach to succession planning in the next Workforce Strategy, as they are aware of the risk in this area. The Council should carry out and document succession planning, with a particular focus on identifying key roles (sole specialists for example) to protect organisational knowledge and mitigate against organisational fragility. Successors may be selected either by informal methods, such as conversations with managers, or by formal methods, such as the performance review process and assessing competencies (and plugging any gaps through training). Therefore, completion of Performance Development Reviews is important for succession planning (please see Finding 1).

c. By considering key changes that may occur over the next two years, the Council should identify and document the skills gaps which need to be addressed by carrying out Performance Development Reviews (please see Finding 1). Following this, the Council may wish to create an action plan to address skills gaps (through training, for example), which is periodically reviewed.[1]

<table>
<tr><td>👥</td><td>MANAGEMENT RESPONSE</td></tr>
</table>

a. Agreed. Annually at the end of PDR season (around the end of April) the HR Team will send out a pro forma to each Head of Service to ask them to identify the jobs that they consider to be "key" and the measures that are being taken to train others internally to fill these posts and the measures that would be taken if the posts

---

[1] For further details, please see: Workforce Planning | Factsheets | CIPD

became vacant. This process will be embedded in the new Workforce Strategy (2023-27) that is currently being drafted.

b. Agreed. As '2a' above

c. Agreed. As '1c'

Responsible Officer:	a. Head of HR, Performance and Service Planning will liaise with Heads of Service to ensure that this is carried out within their respective departments
	b. As above
	c. As above.
Implementation Date:	a. April 2024
	b. As above
	c. As above.

3	Staff training opportunities

TOR Risk:	The skills base of staff is not reviewed to ensure they have the necessary skills and tools, including training, to undertake their roles, deliver to expected standards and ensure future development opportunities.
Significance	● Medium

FINDING

We found that completion rates for the following training could be improved, which are mandatory per Council policy:

- Equality & Diversity
- Fraud Awareness.

Following a 31 January 2023 deadline, these have a completion rate of 94% and 76%, respectively as of July 2023.

If mandatory training is not completed, there is a risk that the skills base of staff is not being developed to ensure that staff have the necessary skills and tools to undertake their roles and deliver to expected standards.

RECOMMENDATION

The Council should ensure that mandatory training is fully complied with by stipulated deadlines. Managers should follow up with staff who have not completed the training and raise non-completion during Performance Development Reviews. HR should send reminder emails to managers to ensure that they are monitoring completion. Regarding the Fraud Awareness course, this is managed by the Head of Finance, who should ensure completion by reminding managers of the importance of this, asking managers to follow up with employees who have not completed the course.

MANAGEMENT RESPONSE

Agreed. Reminder emails will be sent to employees with PC access who have not completed either of the two programmes (HR to cover Fraud Awareness training follow-up in the absence of a Head of Finance) and to escalate non-compliance with eventual move to potential misconduct investigation. HR will engage with Heads of Service for front-line teams to identify the most practical ways to deliver training to the greatest proportion of employees in these jobs.

Responsible Officer:	HR & Training Manager to liaise with SLT and Head of Finance to ensure completion of both training courses
Implementation Date:	September 2023 (for work to commence to identify employees who have not completed training where it is mandatory). December 2023 for employees for whom the mandatory training is required and who have access to a PC. March 2024 for employees for who the training in these two courses is required and who do not have ready access to a PC at work.

OBSERVATIONS

MENTAL HEALTH AWARENESS TRAINING
The Council also offers Mental Health training; this is not mandatory and therefore has a lower completion rate of 35% (as of July 2023). Given today's prevalence of remote working, it is increasingly important to raise awareness around mental wellbeing as it is more difficult to see signs of declining mental health in staff. If the Council wishes to take preventative action in this area to mitigate staff retention issues, it could consider making this training mandatory. SLT may wish to consider making Mental Health Awareness training mandatory for managers.

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 the audit is to establish how the workforce strategy is developed and whether it reflects the current needs of the Council. The audit will consider whether progress against the strategy is reported effectively, and whether actions are clear and achievable. We will examine the strategic aims of the strategy, identifying the root cause where sufficient progress has not been made.

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 workforce strategy is not aligned with corporate objectives and priorities
- The workforce strategy does not identify key or critical roles in the Council to ensure there is sufficient notification time for finding and introducing a new individual
- The skills base of staff is not reviewed to ensure they have the necessary skills and tools, including training, to undertake their roles, deliver to expected standards and ensure future development opportunities
- The Council does not complete regular risk assessments of its capacity of resources to ensure it is capable of delivering its services and ensure current or likely future skills shortages are identified and corrective action taken to reduce the need for agency staff. This information has not informed the workforce strategy
- The workforce strategy is not reported on and the Council has not assessed progress of related actions within the workforce strategy, The Council has failed to identify outstanding actions and/or does not have a clear plan for delivery of outstanding actions, assigning targets and responsibility for those actions.

SCOPE OF REVIEW

The review will consider the adequacy and effectiveness of the arrangements in place at the Council for the development, roll out and monitoring of its workforce strategy.

- Policies and Procedures including governance
  - Verify that controls and processes are in place to ensure the effective development and agreement of the workforce strategy
  - Review of the overall workforce strategy and any reporting against the implementation of the strategy
- Workforce Planning Process
  - Review underlying data informing the workforce strategy and verify the strategy is based on credible assumptions
  - Verify whether workforce-planning decisions taken are sustainable and realistic
  - Verify the workforce planning approach and benchmark against best practices
  - Understand how the Council remains proactive, having an awareness of its staffing levels to address potential shortfalls
- Staff Development / Skills Mix
  - Review any staff retention data to identify any issues or patterns
  - Review of the workforce strategy and any training plans and verify whether continuous training and development to improve skills mix are in place to expand skills of staff in various areas in order to address capacity issues and high usage of agency.

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

APPROACH

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

We can compare your workforce strategy to other councils and identify any further actions could enhance the Strategic Aims in place.

Any opportunities identified to improve arrangements will be offered for consideration alongside recommendations to resolve any weakness in controls. We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control through use of a range of tools and techniques.

FOR MORE INFORMATION:

Gurpreet Dulay
Gurpreet.Dulay@bdo.co.uk

Gedling
Borough Council

Report to Audit Committee

Subject: **Corporate Risk Management Scorecard Quarter 1 2022/23**

Date: **19 September 2023**

Author: **Corporate Director**

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. It is due for renewal this financial year.

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 June 2023 are appended to this report, and this includes a summary of all control gaps identified on the Council's Corporate Risk Register at quarter 1.

The last update of the Corporate Risk Scorecard was presented to Audit Committee on 27 June 2023 which provided the 2022/23 quarter 4 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 1, period ending 30 June 2023

Appendix 2 - Risk Management Scoring Matrix

Statutory Officer Approval
Approved by: **Chief Financial Officer** **Date:**
Approved by: **Monitoring Officer** **Date:**

Appendix 1 - Corporate Risk Register Monitoring – Quarter 1 – Period Ending 30 June 2023

| 1 | **FAILURE TO PREVENT BUDGET OVERHEATING ONCE THE BUDGET HAS BEEN SET**

Owner: Head of Finance & IT

Current Risk: GREEN B1, low likelihood / negligible impact

Direction of Travel: 22/23 Q1 D3; Q2 D3; Q3 B3; Q4 B1.
23/24 Q1 B1

Definition:

Shorter term implications of overspending budgets or not collecting as much income as forecasted. This can cause adverse impact on Council balances.

Key Risk Driver: Financial Impact

Raw Risk: RED E3, very high likelihood / serious impact (£50k - £500k)

Commentary:

Budget monitoring reports are presented to Cabinet on a quarterly basis, and reflect a review of current year budgets and spend to date. They also recognise any trends (both underspends and overspends) as reported in the year-end outturn report.

Actions completed during quarter 1:

• The closedown process was completed and reported to Cabinet on 6 July 2023.

Actions outstanding:

• The next quarterly budget monitoring report to be presented to Cabinet on 7 September 2023. This is reporting a forecast NIL variance at year end. TARGET DATE: September 2023. |
| 2 | **FAILURE TO MAINTAIN FINANCIAL INTEGRITY**

Owner: Director of Corporate Resources |

Current Risk: RED E4, very high likelihood / major impact £500k to £1m

Direction of Travel: 22/23 Q1 E4; Q2 E4; Q3 E4; Q4 E4.
23/24 Q1 E4

Definition:

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

Key Risk Driver: Financial Impact

Raw Risk Value: RED E5, very high likelihood / critical impact (£1M+)

Commentary:

The preparation of a balanced budget is a fundamental requirement placed on all local authorities, and this can only be achieved by the control of expenditure and the maintenance or improvement in income. The main financial risk issue continues to be the delivery of the ongoing £2.857m efficiency target against a backdrop of pay rises, fuel and energy price increases, and national pressures around the future of local government funding.

Actions completed during quarter 1:

- The closedown report to Cabinet on 6 July 2023 showed an underspend of £213k (1.73%) against service budgets reflecting an awareness by managers of the current budgetary pressures facing the Council.

- The Medium Term Financial Plan was presented to Council on 2 March 2023 as part of the 2023/24 General Fund Revenue Budget report. It set a future efficiency target of £2.857m and officers continue to analyse the budgets to prepare for a base budget review exercise due to commence in September 2023.

- Several years ago officers had the foresight to engage consultants alongside other local authorities to lobby HMRC on classifying some leisure centre income as non-business. After many years HMRC have finally accepted the argument and have agreed to settle each individual authorities claim. This will be presented as a windfall to balances.

Actions outstanding:

- Conduct a base budget review to identify efficiencies to meet current targets and set a balance budget. TARGET DATE: February 2024.

- Development of a Procurement and Contract Management Strategy to ensure value for money in purchasing. This will reflect the recommendations arising from the internal audit reviews of both Contract Management and Procurement. It will also need to reflect changes arising from the new UK Procurement Bill currently progressing through parliament. TARGET DATE: February 2024.

- Development and implementation of a Charging Strategy to maximise current income streams and identify new income opportunities in accordance with all relevant statutory and corporate requirements. TARGET DATE: January 2024.

- 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. TARGET DATE: December 2023.

---

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

Owner: Head of Governance & Customer Services

Current Risk: AMBER C3, significant likelihood / serious impact

**Direction of Travel: 22/23 Q1 B3; Q2 B3; Q3 C3; Q4 C3.
               23/24 Q1 C3**

Definition:

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

Key Risk Driver: Health & Safety

Raw Risk Value: RED D4, high likelihood / major impact (loss of life / major illness)

Commentary:

All staff should feel safe at work and be protected against all dangers wherever possible.

	Actions completed during quarter 1: • The Health and Safety team continued their programme of inspections and corporate review of risk assessments. This process 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, for which mitigations are being planned. Actions outstanding: • To continue with the programme of health and safety inspections to determine the corporate-wide risk position and ensure the delivery of mitigation actions to address identified risks. TARGET DATE: January 2024. • Rollout of the new Civic Centre emergency evacuation procedures. TARGET DATE: November 2023.
4	**FAILURE TO RECRUIT AND RETAIN STAFF, AND MAINTAINING INTERNAL CAPACITY** **Owner: Head of HR, Performance & Service Planning** **Current Risk: AMBER C3, significant likelihood / serious impact** **Direction of Travel: 22/23 Q1 C3; Q2 C3; Q3 C3; Q4 C3. 23/24 Q1 C3** **Definition:** *Associated with the particular nature of each profession, internal protocols, managerial abilities, and sickness levels.* **Key Risk Driver:** Service Provision **Raw Risk Value:** AMBER C3, significant likelihood / serious impact (significant elements of a service suspended / reduced) **Commentary:** Like nearly all councils, Gedling is experiencing difficulties with recruitment, particularly with professional roles such as planning, finance and legal. Uncertainty also still remains in the future if, for example, funding reductions impact upon the Council's ability to deliver public services.

Actions completed during quarter 1:

- Service Plans that align to the new Gedling Plan 2023 – 2027 have been adopted and rolled out to all managers. These will be managed and monitored through the Council's performance monitoring system called Pentana.

- Pentana is now more actively used by officers to manage projects, risks, audit recommendations, carbon management actions, equality actions which will provide an indicator where officers are struggling to deliver due to capacity issues.

Actions outstanding:

- 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. TARGET DATE: n/a.

- Investigate opportunities for the introduction of apprenticeships in areas experiencing particular recruitment issues. TARGET DATE: December 2023.

- Continue to work with the universities to facilitate the Supported Intern Placement Programme. TARGET DATE: n/a.

- Review recruitment options, including a refresh of the website recruitment pages, and which enhances the Council's offer in terms of flexible working and accessibility. TARGET DATE: December 2023.

- Review agile working arrangements currently in place, forming a view on future work needs and requirements, and determining a strategy that will have a positive impact on recruitment and retention of staff. The first step is to review the use of office and desk space / patterns of working within the Civic Centre. TARGET DATE: December 2023.

- To monitor the impact of workforce capacity on delivery of the Gedling Plan and compliance with governance requirements by identifying practical measures to reduce the pressure within teams and the fragility of some services. TARGET DATE: December 2023.

- Prepare a new Workforce Strategy and set out actions for improvement. TARGET DATE: February 2024.

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

Owner: Head of Finance & IT

Current Risk: AMBER C3, significant likelihood / serious impact

Direction of Travel: 22/23 Q1 C3; Q2 C3; Q3 C3; Q4 C3.
                             23/24 Q1 C3

Definition:

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

Key Risk Driver: Objectives

Raw Risk Value: RED D4, high likelihood / major impact (directorate objectives not met)

Commentary:

Good IT is key to the delivery of efficient Council services, and the development of a coherent Digital Strategy is essential.

Actions completed during quarter 1:

- SLT received the findings of the external review of the ICT service, evaluating current service provision and resourcing (baseline review).

- Ongoing review of the Disaster Recovery Plan including consideration of the location of a second storage area network (SAN).

- An internal Digital Transformation team has been established to prepare for the work of the external agent.

Actions outstanding:

- Commission an external agent to deliver an assessment of future IT needs and requirements, and deliver a Digital Strategy for the Council. TARGET DATE: October 2023.

- The review and update of the Information Security Policy has been finalised and will be reported to Cabinet on 7 September 2023.

6	**FAILURE TO PROTECT & UTILISE PHYSICAL ASSETS**

Owner: Head of Regeneration & Welfare

Current Risk: AMBER C3, significant likelihood / serious impact

Direction of Travel: 22/23 Q1 C3; Q2 C3; Q3 C3; Q4 C3.
                        23/24 Q1 C3

Definition:

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

Key Risk Driver: Health & Safety

Raw Risk Value: RED D4, high likelihood / major impact (loss of life / major illness)

Commentary:

The Council owns and manages a number of buildings and it is important that these are all checked on a regular basis and maintained through an up-to-date Asset Management Plan and Strategy.

Actions completed during quarter 1:

- General condition surveys are now in place for the majority of the main operational estate.

- A new compliance regime has been introduced for all Council assets (fire, asbestos, water testing).

Actions outstanding:

- Cyclical update of property condition surveys, starting with those about to expire e.g. pavilions. TARGET DATE: January 2024.

- Produce a new Property Asset Management Plan. TARGET DATE: March 2024.

- Review the suitability of Council-owned temporary accommodation and establish a short and long term maintenance programme. TARGET DATE: February 2024.

7	**FAILURE TO REACT TO CHANGES IN LEGISLATION**
	Owner: Head of Governance & Customer Services
	Current Risk: AMBER C3, significant likelihood / serious impact
	Direction of Travel: 22/23 Q1 C3; Q2 C3; Q3 C3; Q4 C3. **23/24 Q1 C3**
	Definition:
	Associated with current or potential changes in national or European law which can lead to possible breaches of legislation. Assessing the wider implications of new legislation on both the Council and its residents.
	Key Risk Driver: Financial Impact
	Raw Risk Value: RED D4, high likelihood / major impact (£500k - £1m)
	Commentary:
	Legislation changes are progressed through parliament and can ultimately affect any Council service. A watching brief on their progression from Bills to Acts is therefore essential.
	Actions completed during quarter 1:
	• The Brazel irregular work pattern case has now been referred to the Supreme Court for determination. It is now unlikely to have an impact on Gedling.
	• The review of Information Asset Registers has been finalised.
	Actions outstanding:
	• The outcome of the McCloud pension case at a national level means there may be some liability falling on the Local Government Pension Scheme. Unlikely to be any material impacts on Gedling but we need to wait and determine the final position. TARGET DATE: n/a.
	• Awaiting further guidance in respect of the government's Resources and Waste Strategy and Environmental Act implications. TARGET DATE: n/a.

8	**FAILURE OF CONTRACTORS OR PARTNERSHIP ARRANGEMENTS – CONTRACTUAL BREACHES**
	Owner: Head of Finance & IT
	Current Risk: AMBR C3, significant likelihood / serious impact
	Direction of Travel: 22/23 Q1 B3; Q2 B3; Q3 C3; Q4 C3. **23/24 Q1 C3**
	Definition:
	Associated with the failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification.
	Key Risk Driver: Financial Impact
	Raw Risk Value: RED D3, high likelihood / serious impact (£50k - £500k)
	Commentary:
	This risk focusses on perceived weaknesses in the procurement and contract management processes.
	Actions completed during quarter 1:
	• The implementation of some actions resulting from the Contract Management and Procurement internal audits.
	Actions outstanding:
	• Implementation of the new Contract Register and Contract Management module as part of the Intend procurement system. TARGET DATE: June 2024.
	• Review indemnity clauses in terms and conditions for new contracts to ensure that they reflect the Council's risk appetite. TARGET DATE: January 2024.
9	**INABILITY TO DEFEND ONE-OFF CHALLENGES TO A COUNCIL DECISION OR NEW COMPENSATION TREND EMERGES**
	Owner: Head of Governance & Customer Services

Current Risk: GREEN A3, very low likelihood / serious impact

**Direction of Travel: 22/23 Q1 A3; Q2 A3; Q3 A3; Q4 A3.
                        23/24 Q1 A3**

Definition:

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

Key Risk Driver: Financial Impact

Raw Risk Value: RED E3, very high likelihood / serious impact (£50k - £500k)

Commentary:

These may arise as a result of a national policy change, Council decision, or lack of action.

Actions completed during quarter 1:

- Work continued to reduce the number of agency staff at the depot by moving to employed status.

- As reported to Environment and Licencing Committee in January 2023, some taxi licensing fees were overcharged and a process of refunds is now operational. A new methodology for calculating the fees has been developed to ensure there will be no reoccurrence going forward.

Actions outstanding:

- National interest around "employment status" and "worker rights" continues to develop. We need to complete the work on assessing the employment status of individuals working for the Council to ensure that legislative and corporate requirements are met. TARGET DATE: n/a.

10	**FAILURE TO MAINTAIN SERVICE STANDARDS, CUSTOMER SATISFACTION, AND/OR MEET CUSTOMER EXPECTATIONS** **Owner: Head of Governance & Customer Services** **Current Risk: GREEN B1, low likelihood / negligible impact**

	Direction of Travel: 22/23 Q1 B1; Q2 B1; Q3 B1; Q4 B1. 23/24 Q1 B1
	Definition:
	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.
	Key Risk Driver: Reputation
	Raw Risk Value: RED D4, high likelihood / major impact (adverse national publicity)
	Commentary:
	This risk refers to deliver of service to the customer and ensuring equal access for all.
	Actions completed during quarter 1:
	• Monitoring of complaints in terms of number, underlying reasons and other trends is continuing.
	• A new Customer Services Strategy to improve customer engagement and ensure customer service standards are maintained has been developed.
	Actions outstanding:
	• Continue to monitor and respond as necessary to the impact upon the Council of potential staffing capacity issues in key areas. TARGET DATE: n/a.
	• To fully implement the new "webchat" service. TARGET DATE: October 2023.
	• To trial a new outreach service in Bestwood (already doing it in Carlton and Calverton). TARGET DATE: September 2023.
11	**FAILURE TO PREVENT DAMAGE TO THE COUNCIL'S REPUTATION** **Owner: Chief Executive** **Current Risk: GREEN B2, Low likelihood / minor impact**

13

Direction of Travel: 22/23 Q1 B2; Q2 B2; Q3 B2; Q4 B2.
23/24 Q1 B2

Definition:

Related to the Council's reaction to a specific event or issue, or generally a downturn in quality of service.

Key Risk Driver: Reputation

Raw Risk Value: RED D4, high likelihood / major impact (adverse national publicity)

Commentary:

One of the major risks for all local authorities is to <u>not</u> meet their promises made in achieving climate change. For Gedling we aim to be carbon neutral by 2030.

Actions completed during quarter 1:

- The Council has numerous actions for delivery as part of the Carbon Management Strategy Action Plan and work has continued on these.

- A new internal Corporate Environment Group has been established to monitor delivery of carbon management actions.

Actions outstanding:

- Individual officers, as well as the Corporate Environment Group, to continue to deliver actions as part of the Carbon Management Strategy Action Plan. TARGET DATE: n/a.

12	**FAILURE TO REACT TO AN ENVIRONMENTAL INCIDENT OR MALICIOUS ACT**
	Owner: Head of Governance & Customer Services
	Current Risk: AMBER C3, significant likelihood / serious impact
	Direction of Travel: 22/23 Q1 B1; Q2 B3; Q3 C3; Q4 C3. **23/24 Q1 C3**

Definition:

Council reaction to a natural occurrence e.g. widespread flooding, or other events such as fire and explosions.

Key Risk Driver: Reputation

Raw Risk Value: RED D4, high likelihood / major impact (adverse national publicity)

Commentary:

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. This risk also covers preparing for any potential malicious act.

Actions completed during quarter 1:

- A Heads of Service/Manager workshop to update business continuity plans was delivered in May 2023.

- Created a Gedling Hot Weather plan as part of the emergency planning requirements.

Actions outstanding:

- Continue dialogue with the County Council to determine whether they will be able to assist Gedling with any emergency planning resource. Alternatively make arrangements for any in-house staff development requirements. TARGET DATE: December 2023.

- Update of business continuity plans. TARGET DATE: October 2023.

- Maintain a watching brief on the requirements of Martyn's law (protection for the public from terrorism at public venues). TARGET DATE: n/a.

- Review Gedling winter preparations. TARGET DATE: November 2023.

13	**FAILURE TO REACT TO SOCIO-ECONOMIC TRENDS**

Owner: Chief Executive

Current Risk: GREEN B2, low likelihood / minor impact

Direction of Travel: 22/23 Q1 B2; Q2 B2; Q3 B2; Q4 B2.
23/24 Q1 B2

Definition:

Relating to the effects of changes in demographic, residential, or socio-economic trends on the Council's ability to meet its objectives.

Key Risk Driver: Reputation

Raw Risk Value: RED D3, high likelihood / serious impact (adverse regional publicity)

Commentary:

This risk relates to the long term view and horizon scanning of potential changes required and modes of delivery for our services.

Actions completed during quarter 1:

- The Gedling Plan 2023-27 was finalised following a review of strategic direction in light of available resources and was approved by full Council on 2 March 2023.

Actions outstanding:

- This long term work will require Gedling to work with partners from within the Nottinghamshire and Derbyshire regions to deliver a long term strategy as part of the new Mayoral authority from May 2024. TARGET DATE: n/a.

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

There is one high risk audit recommendations from previous years that has not been addressed and implemented, and that is in relation 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's contract managers (RISK 8).

HIGH RISK AUDIT RECOMMENDATIONS RAISED IN THIS FINANCIAL YEAR:

There are no high risk audit recommendations reported this financial year.

APPENDIX 2 - RISK MANAGEMENT SCORING MATRIX

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

Impact