

**INTERNAL AUDIT PROGRESS REPORT**

GEDLING BOROUGH COUNCIL

NOVEMBER 2020

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# SUMMARY OF 2020/21 WORK

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

## Internal Audit Methodology

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

## 2020/21 Internal Audit Plan

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

- Sickness Management
- Council Tax & NNDR

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

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

## Reports for this Committee

- Follow Up of Internal Audit Recommendations

# REVIEW OF 2020/21 WORK

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

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## OVERVIEW OF KEY FINDINGS

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

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

# KEY PERFORMANCE INDICATORS

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

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

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# SECTOR UPDATE

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

## Finance

### Thurrock Council borrows £125m from PWLB

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

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

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

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

### A single year spending review a 'sensible decision'

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

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

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

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



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## Covid

### Covid-19: Fighting fraud in real time

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

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

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

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

### Government urged to address Covid-19 backlogs

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

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

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

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

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



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## IT

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

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



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

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



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

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## Housing

### Three LGPS funds invest £97m in housing

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



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

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

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

### **New development levy set to boost revenue**

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

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

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

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

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

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



### **Councils' capital activity suffers pandemic blow**

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

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

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

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



# APPENDIX I - FINAL REPORTS



## Gedling Borough Council

### INTERNAL AUDIT REPORT

COUNCIL TAX AND NNDR  
October 2020

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Substantial	Substantial

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#### DISTRIBUTION

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

#### REPORT STATUS LIST

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

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

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

**SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)**

High	0
Medium	0
Low	2

**TOTAL NUMBER OF RECOMMENDATIONS: 2****CRR/BAF REFERENCE:**

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

**BACKGROUND:**

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

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

## GOOD PRACTICE:

We identified the following areas of good practice:

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

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

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

#### KEY FINDINGS:

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

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

#### ADDED VALUE

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

#### CONCLUSION:

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

## DETAILED FINDINGS

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

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

### RECOMMENDATION:

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

### MANAGEMENT RESPONSE:

Agreed.

Responsible Officer: Andrew D Solley - Revenues Manager

Implementation Date: 31 December 2020

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

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

**RECOMMENDATION:**

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

**MANAGEMENT RESPONSE:**

Agreed.

Responsible Officer: Andrew D Solley - Revenues Manager

Implementation Date: 31 December 2020

**STAFF INTERVIEWED**

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

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

## APPENDIX I - COVID-19: GOOD COUNCIL PRACTICE

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

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

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

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

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

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

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

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

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

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

## APPENDIX III - TERMS OF REFERENCE

### PURPOSE OF REVIEW:

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

### KEY RISKS:

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

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

### SCOPE OF REVIEW:

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

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



# GEDLING BOROUGH COUNCIL

## INTERNAL AUDIT REPORT

SICKNESS MANAGEMENT  
SEPTEMBER 2020

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Substantial	Moderate

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#### DISTRIBUTION

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

#### REPORT STATUS LIST

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

## EXECUTIVE SUMMARY

### LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

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

### SUMMARY OF RECOMMENDATIONS:

High	0
Medium	1
Low	4

### TOTAL NUMBER OF RECOMMENDATIONS: 5

### CRR REFERENCE:

Failure to recruit and retain staff, and maintaining internal capacity

### BACKGROUND:

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

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

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

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

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

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

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

#### GOOD PRACTICE:

The following areas of good practice were identified:

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

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

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

## KEY FINDINGS:

During the audit we found the following:

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

## ADDED VALUE

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

## CONCLUSION:

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

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

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

## DETAILED FINDINGS

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

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

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

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

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

#### RECOMMENDATION:

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

MANAGEMENT RESPONSE:

A) Agreed

B) Agreed -

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

Responsible Officer: Service Manager Organisational Development

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

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

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

**RECOMMENDATION:**

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

**MANAGEMENT RESPONSE:**

A) Agreed

Responsible Officer: Service Manager, Organisational Development

Implementation Date: 30/11/20

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

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

**RECOMMENDATION:**

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

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

#### MANAGEMENT RESPONSE:

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

Responsible Officer: Service Manager, Organisational Development

Implementation Date: Commence 1/4/21

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

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

**RECOMMENDATION:**

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

MANAGEMENT RESPONSE:

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

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

Responsible Officer: Service Manager, Organisational Development

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

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

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

**RECOMMENDATION:**

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

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

**MANAGEMENT RESPONSE:**

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

Responsible Officer: Service Manager, Organisational Development

Implementation Date: 31/03/21

## OBSERVATIONS

### SICKNESS DATA ANALYSIS

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

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

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

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

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

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

**STAFF INTERVIEWED**

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

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

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

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

Please see below for details of each policy.

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# GEDLING BC

## Fact File

Workforce Size: 489

### DAY 1

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

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

### DAY 4

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

### DAY 8

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

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

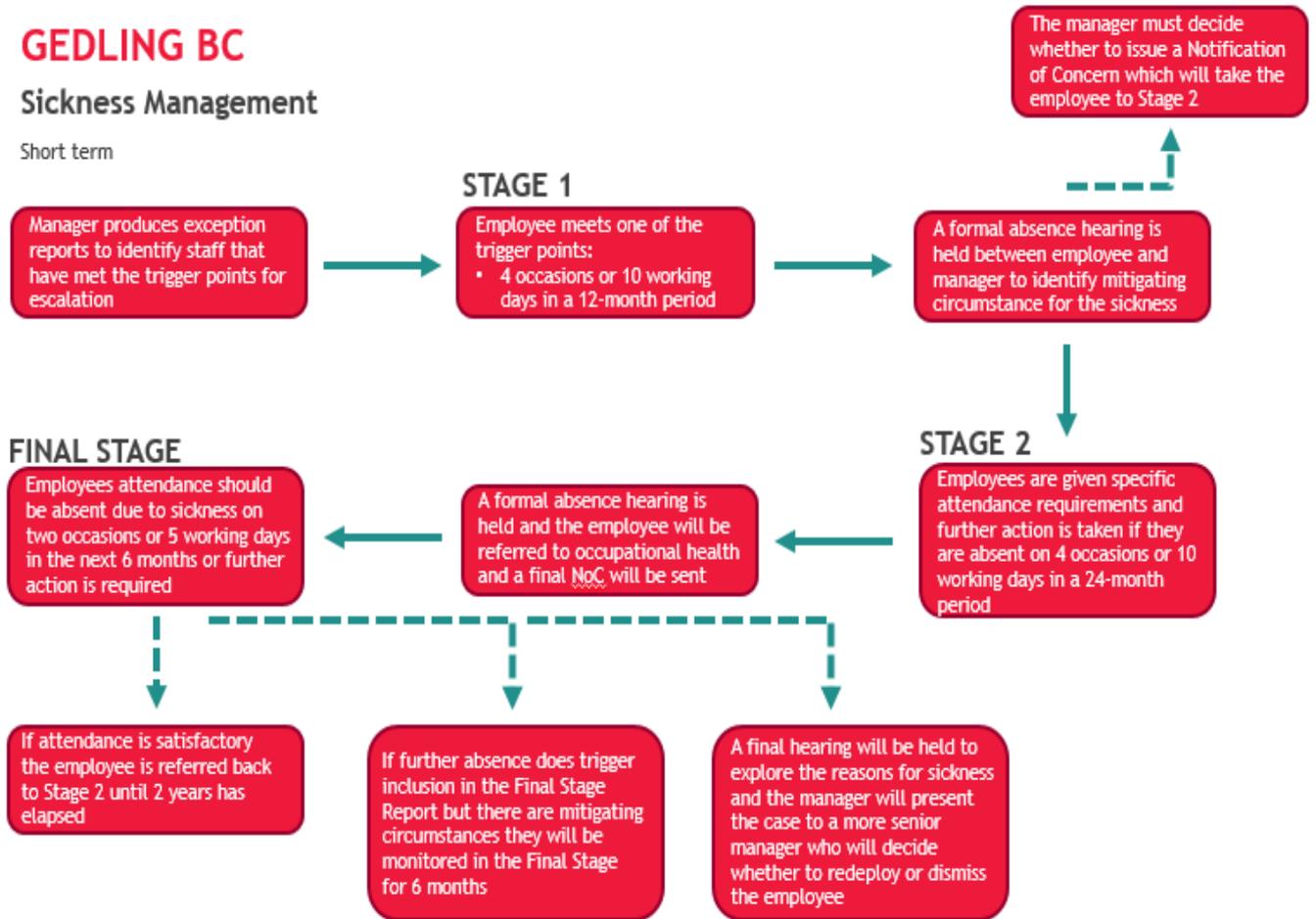
### Return

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

# GEDLING BC

## Sickness Management

Short term



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# NORTHAMPTON BC

## Fact File

Workforce Size: 357



# NORTHAMPTON BC

## Sickness Management

Short term

### STAGE 1

Employee meets one of the trigger points:

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



An absence meeting is held to discuss:

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

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



### STAGE 2

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



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



### STAGE 3

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



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



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

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# BASINGSTOKE & DEANE COUNCIL

## Fact File

Workforce Size: 555

### DAY 1

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

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

### DAY 8

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

### Return

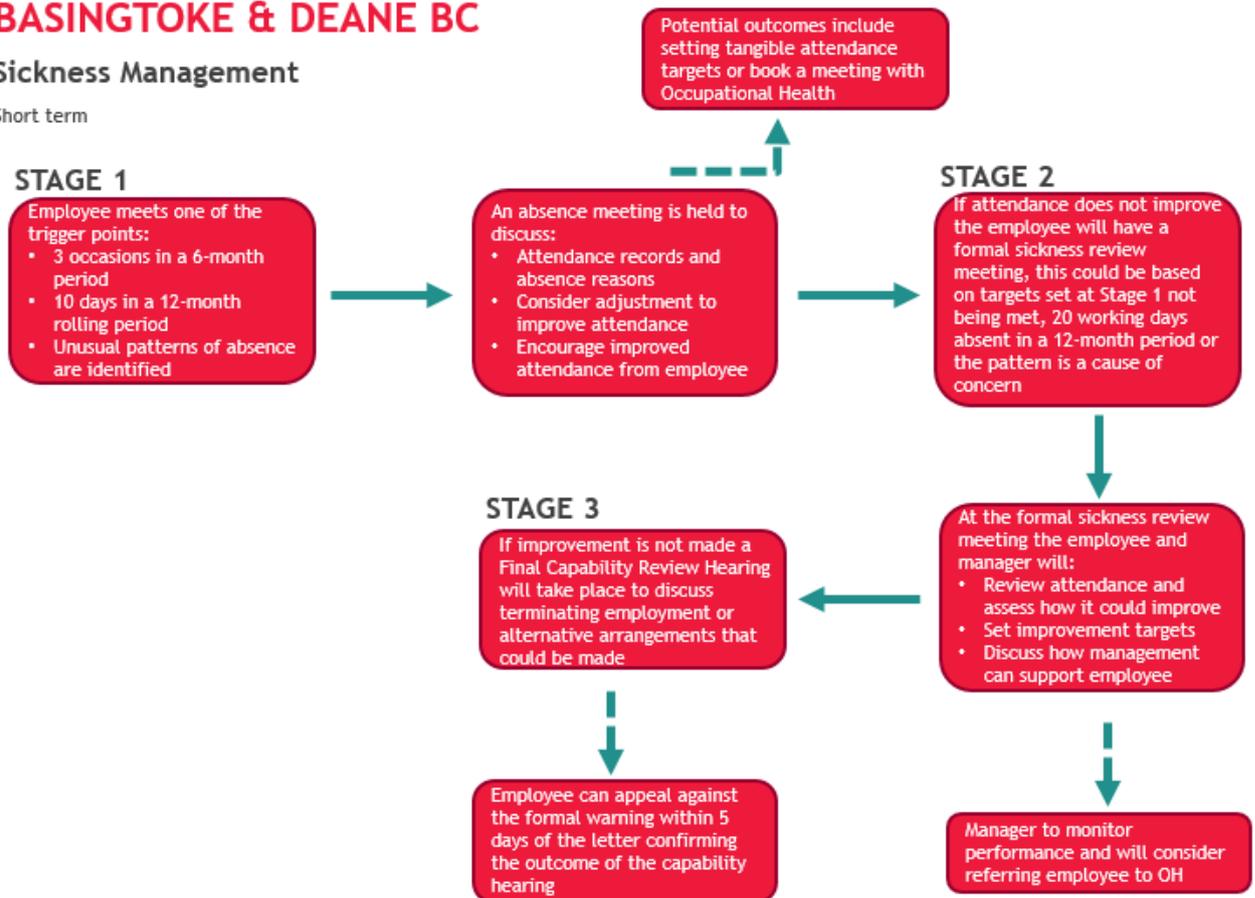
Employee returns and a return to work meeting is held between the employee and the line manager to confirm they are fit to carry out their duties. They must complete a Fit to Work Statement

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

# BASINGTOKE & DEANE BC

## Sickness Management

Short term



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## HARLOW COUNCIL

### Fact File

Workforce Size: 474

#### DAY 1

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

- Nature of illness
- Reason for Absence

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

#### DAY 8

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

#### 3 WEEKS

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

#### Return

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

# HARLOW COUNCIL

## Sickness Management

Short term

### STAGE 1

Employee meets one of the trigger points:

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

An informal meeting is held to discuss:

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

The manager summarises the meeting in a letter

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

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

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

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

### STAGE 2

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

### STAGE 3

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

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

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

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

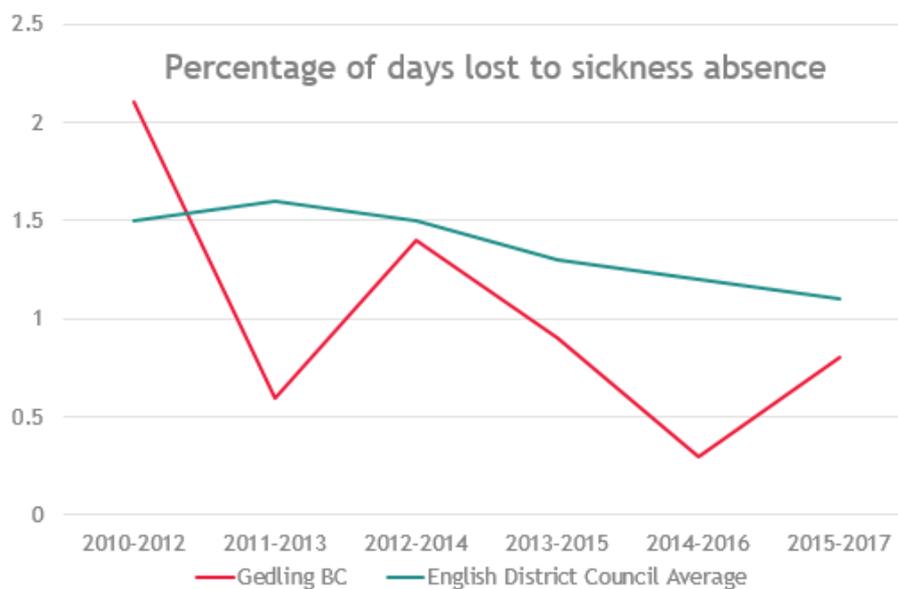
### SICKNESS DATA ANALYSIS

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

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## HISTORICAL TREND

Comparing Gedling BC historical performance on sickness absence against other authorities

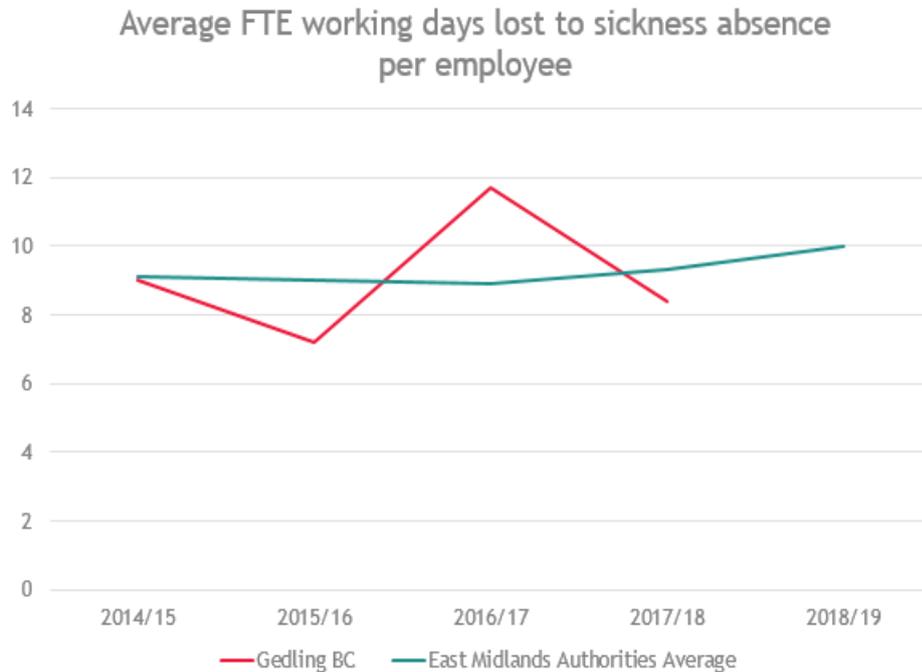


The graph shows the historical trend of percentage of days lost to sickness absence during different rolling 2-year periods. Gedling BC have fluctuated in performance year on year however have a general downward trend and performed better than the English District Council average in the same period.

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## FTE DAYS LOST TO SICKNESS ABSENCE - HISTORICAL TREND

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



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

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

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

## CIPD 2016 ABSENCE MANAGEMENT REPORT

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

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

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

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## USEFUL LINKS FOR MANAGING SICKNESS DURING COVID-19

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

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

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

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

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

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

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

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

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

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

## APPENDIX IV- DEFINITIONS

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

## RECOMMENDATION SIGNIFICANCE

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

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## APPENDIX II - TERMS OF REFERENCE

### PURPOSE OF REVIEW:

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

### KEY RISKS:

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

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

### SCOPE OF REVIEW:

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

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

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

### APPROACH:

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

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

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**BAF/CRR REFERENCE:**

Failure to recruit and retain staff, and maintaining internal capacity

FOR MORE INFORMATION:

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