



**INTERNAL AUDIT  
PROGRESS REPORT**

Gedling Borough Council

2022/2023

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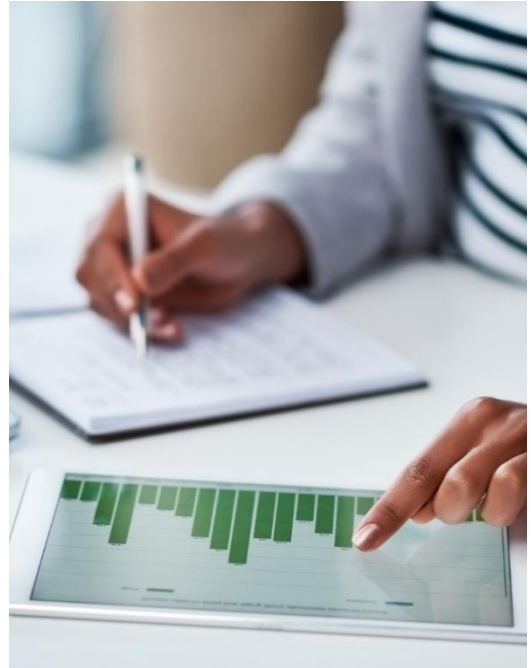
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# SUMMARY OF 2022/2023 WORK

## INTERNAL AUDIT

This report is intended to inform the Audit Committee of progress made against the 2022/2023 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.



## INTERNAL AUDIT METHODOLOGY

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

## 2021/2022 INTERNAL AUDIT PLAN

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

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

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

## 2022/2023 INTERNAL AUDIT PLAN

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

- ▶ Corporate Governance
- ▶ Cyber Security

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

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

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

## CHANGES TO THE 2022/2023 INTERNAL AUDIT PLAN

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

## REVIEW OF 2022/2023 WORK

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



## SECTOR UPDATE

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

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

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

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

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

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

#### FOR INFORMATION

For the Audit Committee Members and Executive Directors

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

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

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

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

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

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

### FOR INFORMATION

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## INFLATION LEAVES COUNCILS IN 'DIFFERENT UNIVERSE'

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

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

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

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

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

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

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

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

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

### FOR INFORMATION

For the Audit Committee and Executives

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## CHANCELLOR RAISES HOUSEHOLD SUPPORT FUND BY £500M

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

Other measures included:

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

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

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

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

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

### FOR INFORMATION

For the Audit Committee Members and Executive Directors

## REVEALED: WHITEHALL'S CONSULTATIONS BLACK HOLE

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

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

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

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

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

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

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

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

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

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






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

**FOR INFORMATION****For the Audit Committee and Executives**

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# KEY PERFORMANCE INDICATORS




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

# APPENDIX 1

## OPINION SIGNIFICANCE DEFINITION

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

## RECOMMENDATION SIGNIFICANCE DEFINITION

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



FOR MORE INFORMATION:

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