

Gedling Borough Council
Internal Audit Progress Report
September 2025



Summary of 2025/26 Work

Internal Audit

This report is intended to inform the Audit Committee of progress made against the 2025/26 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 Global Internal Audit Standards in the UK Public Sector. 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 I of this report and are based on us giving either ‘substantial’, ‘moderate’, ‘limited’ or ‘no’ opinion. 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.



Internal audit plan 2025/26

We are now making good progress in the delivery of the audit plan.

We are pleased to present the following reports to this Audit Committee meeting:

- ▶ People Services
- ▶ Risk Management.

Fieldwork is in progress in respect of the following audits:

- ▶ Main Financial Systems.

We anticipate presenting this report at future Audit Committee meetings.

Value added

We are also presenting the following reports to this Audit Committee meeting:

- ▶ BDO - Global Risk Landscape

This report examines the attitudes of 500 global risk leaders to a range of emerging and evolving risks such as Artificial Intelligence (AI), cyber-attacks and supply chain, and offers practical takeaways to manage risks.

The theme and title of this year's report is “The risk rift: why playing safe means losing growth” which highlights a big mistake in risk management - focusing too much on compliance rather than the bigger picture of risk. By shifting from a compliance-first to a risk-first mindset, organisation can take advantage of greater strategies to navigate and leverage risks for growth and opportunity.






Our research found that 69% of organisations surveyed took a risk-averse or risk-minimising approach, with 74% of Executives saying that embedding risk thinking into their organisation's culture is a priority.

Review of 2025/26 work

AUDIT	AUDIT COMMITTEE	PLANNING	FIELDWORK	REPORTING	DESIGN	EFFECTIVENESS
Risk Management	September 2025	✓	✓	✓	S	M
Main Financial Systems (Fraud)	December 2025	✓	✓			
Asset Management - Commercial Assets	March 2026	✓				
Asset Management - Residential Assets	December 2025	✓				
Freedom of Information Requests and Complaints	June 2026	✓				
Corporate Governance	June 2026	✓				
People Services	September 2025	✓	✓	✓	L	M
Cyber Security	March 2026	✓				

People Services

CRR Reference: CR002, CR003 and CR012

Design Opinion	 Limited	Effectiveness Opinion	 Moderate
Recommendations	 1	 4	 0



SCOPE

Background

- ▶ Gedling Borough Council (the Council) has approximately 450 employees to deliver its services to the residents and the public. The Council requires a suitably skilled, well-motivated and engaged workforce that meet the changing needs of residents and the challenging internal and external environments in which it operates.
- ▶ We undertook an audit of the Council's workforce strategy in 2022/23 and provided Moderate assurance over the control design and Limited assurance for the control effectiveness. This was principally due to the low completion of performance development reviews leading to training needs not being understood for staff development. To ensure sufficient coverage of risks relating to the Council's workforce, this review will focus on sickness and absence management, workforce development and succession planning.

Sickness and Absence Management

- ▶ Effective sickness management processes, underpinned by clear policies and procedures, support the Council to improve attendance at work, the health and wellbeing of staff and to deliver services to residents.
- ▶ As reported to the August 2024 Joint Consultative and Safety Committee, the Council's outturn for absence per employee between June 24 - May 25 was 11.34 days. It reported that the main reasons for absence across the 12-month period were:
 - Anxiety/stress/depression - 28%
 - Operation or post-operative recovery - 15%
 - Back Problem - 8%.
- ▶ While the policy is owned and applied by the HR and Workforce Team, line managers should take responsibility for managing sickness absence of staff who report directly to them. Employees that are off sick from work also have a responsibility to engage appropriately with the process.
- ▶ The HR and Workforce Team are refreshing the sickness and absence management policies and procedures, including trigger points for escalation of sickness absence for employees with a large number of days or episodes of absence over a rolling 12-month period. The Council use the Zellis HR System to record absences of staff.

Workforce Development and Succession Planning

- ▶ Succession planning and workforce development is essential to ensure that organisational skills or knowledge is not lost when personnel leave the authority or change roles. The Workforce Strategy audit performed in 2022/23 identified a Medium finding for the lack of succession planning for critical roles.
- ▶ Workforce development is the ability to align the workforce to the needs of the organisation through an ongoing process of skills development and effective management of change, enabling employee development activity to be aligned to business need and ensuring that adverse impacts of restructuring are minimised through early planning.

Purpose

- ▶ The purpose of this review is to provide assurance over the Council's people services processes, including management of sickness absence, succession planning for and workforce/people development to ensure there is appropriate forward planning and oversight of areas where single points of failure are prevalent.

Areas reviewed

The following areas were covered as part of this review:

Sickness and Absence Management

- ▶ Confirmed that the Council had appropriately communicated policies and practices around sickness and absence management to line managers and staff (for example through communications, and/or training).
- ▶ For a sample of recorded staff absences (focusing on short term absences) between 1 June 2024 and 31 May 2025, we reviewed whether the Council's policies and procedures were adhered to when managing absences. Specifically, we assessed whether:
 - The absence was recorded on Zellis with sufficient detail of the cause/reason for the absence.
 - A return-to-work meeting had been performed with the employee on their first day and documented on the SC1 form with any remedial actions needed to enable to employee to effectively complete their role. We also confirmed that the form had been accurately filed in the employee's file on Idox.
- ▶ For a sample of staff who had met the trigger points for escalation in the past 12 months, we assessed whether appropriate escalation actions have been taken with the employee and documented in accordance with the Council's Sickness and Absence Management Policy.
- ▶ Verified how sickness data was reported and scrutinised by the Council, whether trends were analysed, and action plans were initiated accordingly. We focused on:
 - Whether there was root cause analysis that supported the actions identified.
 - Whether the Council reviewed any disparities in the data between staff groups.
 - Whether areas where there were higher levels of sickness absence were prioritised, and there was adequate support provided to Directors to risk assess and proactively manage sickness absence levels.

Workforce Development and Succession Planning

- ▶ Processes for monitoring and succession planning arrangements for staff in high risk or critical roles and for those with short notice periods. This included assessing whether succession plans were documented for these roles to transfer knowledge and skills to other staff.
- ▶ Whether standard operating procedures were documented for processes performed by staff in key roles to ensure that procedures were in place for information sharing to mitigate loss of knowledge if staff in key roles were to leave the Council.
- ▶ Training, support and guidance provided to line managers to assess whether clear principles were set to enable these individuals to develop others in their team, to support their progression and upskill staff.



AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ We reviewed a sample of ten staff that had met the trigger points for escalation through the Formal Absence Management Procedure. Of these, five staff had illnesses or absences that fell outside the scope of escalation. For the remaining five staff, the HR and Workforce Team were proactive to ensure it was appropriately managed and investigated with meetings and notices of concern being issued where appropriate.
- ▶ The Council have rolled out a new process to replace the formal annual performance development reviews, promoting monthly one-to-one meetings between staff and

their line manager provide a more regular frequency of performance monitoring and opportunity to raise concerns or development ambitions. The purpose of the system change is to allow greater oversight from managers over the learning development of their officers which is important in effective upskilling and succession planning. While we are unable to provide assurance over the effectiveness of these new meeting structures as they have only recently been implemented, the objective supports more regular and ongoing oversight of performance. This is notwithstanding the risk around monitoring compliance with these meeting identified in Finding 2.

- ▶ The Assistant Director of Workforce has identified control gaps and areas for improvement across a range of people-related procedures, including sickness and absence management, which have been incorporated into their objectives and work plan for the coming year. Some action has been taken to address these matters, for example, the Attendance Management Policy is currently out for consultation with stakeholders and the Council are assessing options for replacing the HR system to allow for more self-service access.



AREAS OF CONCERN

Finding	Recommendation and Management Response
The Council have not defined or identified business-critical roles, resulting in succession plans not being in place for high-risk roles, ie where there is a statutory duty to hold a role, where the post holder performs a statutory duty for the Council, there is only one individual with the necessary skills or qualifications to perform a role in the Council, etc. Furthermore, there were departments performing critical roles where processes were not formally documented into Standard Operating Procedures (SOPs) (Finding 1 - High).	<p><u>Recommendation</u></p> <p>A. The Senior Leadership Team should complete a risk analysis of roles across the Council to define and identify roles that are considered business critical. We have provided a template that it could use for this in Appendix I.</p> <p>B. For roles that are considered high risk or business critical, the Council should develop formal succession plans to document factors and information such as:</p> <ul style="list-style-type: none"> • Notice period of the current post-holder • Statutory responsibilities required for the role • Skills and competencies required for the role and whether these exist more widely in the organisation • Short, medium and long-term plans to provide for these roles, ie internal replacements, full recruitments, etc. <p>C. The documented succession plan for the business-critical roles should be retained by the HR and Workforce Team. This should be reviewed and updated periodically or as circumstances change.</p> <p>D. For each of the business-critical roles identified, SOPs should be documented for the key responsibilities of the role and</p>

		<p>processes followed to reduce disruption and enable continuity in the event that a post holder leaves the Council.</p> <p><u>Management Response</u></p> <p>A. The SLT will conduct a risk analysis of roles using the template provided.</p> <p>B. We have already identified this work as per our objectives for 25/26. Managers to be trained in succession planning, knowledge transfer and importance of having SOPs. Points identified above will be included in the plans.</p> <p>C. Agreed</p> <p>D. The Assistant Director of Workforce will work with ADs to ensure SOPs are completed and a process identified to regularly review and update. This can be monitored at the Budget & Performance Board as this work aligns to 121 reviews and training staff.</p> <p>Target Date: A. 1 December 2025, B-D. 31 March 2026.</p>
	<p>The HR and Workforce Team does not monitor the completion of monthly one-to-one performance meetings between staff and their line managers. This process was introduced partly because there was low compliance of the annual performance development reviews, therefore, there is a risk that these continue to not be held, thereby limiting performance oversight and staff development (Finding 2 - Medium).</p>	<p><u>Recommendation</u></p> <p>The HR and Workforce Team should establish a process for monitoring the completion of one-to-one meetings to ensure that these are being held and documented on the forms. Any non-compliance should be escalated to the relevant Assistant Director.</p> <p><u>Management Response</u></p> <p>A pulse survey will be completed in October to check staff are receiving 121s and the system is working. A more formal review with managers will take place in January 2026, followed by a further pulse survey in February. These will continue until the practice is fully embedded.</p> <p>Target Date: 31 October 2025.</p>
	<p>The Attendance Management Policy does not clearly define roles and responsibilities for identifying and escalating sickness absence. Furthermore, there were some process inefficiencies through manual controls, which could result in non-compliance or inconsistencies. The Council are consulting with stakeholders on amendments to the Policy, which could incorporate some</p>	<p><u>Recommendation</u></p> <p>A. As part of its review and refresh of the Attendance Management Policy, the Council should provide clarity over:</p> <ul style="list-style-type: none"> Documenting the roles and responsibilities of staff and line managers clearly for notifying and recording sickness absence.

	<p>of our recommendations (Finding 3 - Medium).</p>	<ul style="list-style-type: none"> Placing the responsibility on the line manager for identifying and escalating absences that meet the Stage One trigger points. <p>B. In accordance with its wider transformation programme, if the Council do opt to procure an alternative HR system, it should incorporate into its specification that the alternative solution allows staff and line managers self-service access to record sickness absence. This solution may also enable the HR and Workforce Team or line managers to be automatically notified when an employee has met a trigger point.</p> <p><u>Management Response</u></p> <p>A. The roles and responsibilities of staff and managers is incorporated into the revised policy. A flow chart is also included on what happens and when. However, a shorter management guide is being produced to be used when the training is rolled out. This will provide a quicker aide memoir for managers use. The Policy will include hyperlinks to assist managers to find the information they need quickly.</p> <p>B. The upgraded HR system allows greater access and visibility of absence data for managers and self-service for staff. Alerts can also be set aligned to triggers. The system needs to be configured to our policy and managers trained in the use of the absence module.</p> <p>Target Date: A. 30 November 2025, B. 30 June 2026.</p>
	<p>We identified non-compliance with the management of sickness absence, including six instances (60%) where a return-to-work meeting was not held on the employee's first day back at work, and in some cases taking a month to complete (Finding 4 - Medium).</p>	<p><u>Recommendation</u></p> <p>A. The HR and Workforce Team should periodically review a sample of SC1 Forms to check whether these have been completed properly, identifying trends or hot spots for non-compliance. Where non-compliance is identified, additional training should be offered to line managers.</p> <p>B. As a longer-term solution, the Council should seek to digitalise the sickness absence process and the return-to-work forms. This could allow for automatic notifications to</p>

		<p>line managers to complete return-to-work forms and have mandatory fields. These features would need to be considered as part of a procurement process for an integrated system.</p> <p><u>Management Response</u></p> <p>A. The training of managers in the new policy needs to take place first and time allowed to embed the new procedures. Managers will be trained not to accept incomplete forms. HR can review as sample of forms for correct completion on a bi-monthly basis, until standards are met.</p> <p>B. Plans are being made when the HR system is upgraded to the Cloud in April/May 26 sickness processes will be digitised. A period of training in the new system will follow in June 26.</p> <p>Target Date: A. 30 November 2025, B. 30 June 2026.</p>
	<p>Reporting on sickness absence in the HR Dashboard Report is high level and does not provide analysis on the root cause of sickness absence at a departmental level (Finding 5 - Medium).</p>	<p><u>Recommendation</u></p> <p>As part of a procurement exercise for a new HR system, if this is opted for, the Council should incorporate self-service reporting and access to sickness absence data for staff into the line manager's functionality specification.</p> <p><u>Management Response</u></p> <p>Procurement of for the HR system has already been completed. The upgraded HR system will include self-serving reporting for managers on sickness data. Managers will be trained in the new functionality which will provide more reports and greater analysis of trends for managers' decision making and monitoring of absences to reduce sickness absence levels.</p> <p>Target Date: 30 June 2026.</p>



CONCLUSION

We conclude that the Council has a Limited design and Moderate effectiveness of controls for sickness and absence management and workforce strategy.

This review was conducted at a point in time when the Council are undertaking a transformation programme and significant changes to how it manages its workforce. Therefore, we would expect there to be significant improvement in the next year, with control gaps identified in this audit incorporated into the Assistant Director for Workforce's objectives. They only joined the Council in October 2024.

Control Design

The control design was Limited because the system of internal controls was weakened with system objectives at risk of not being achieved.

There were significant gaps in the preparation of succession planning for business-critical roles, with the first step recommended by the Chartered Institute for Personnel Development (CIPD), to identify which roles are considered business critical, not being defined. We have seen this risk materialise in other audits, where staff have left the Council and there were not suitable provisions in place prior to their departure to support continuity.

There were also control design gaps identified in the management of sickness absence, underpinned by an outdated policy that does not meet the Council's requirements. Although, this has been recognised by the Council who are consulting with stakeholders about a new policy. Sickness absence processes were manual, often leading to the HR and Workforce Team not being aware of sickness absence until a month after it occurred. Furthermore, there was a reliance placed on line managers to identify and escalate absences where triggers had been met, although departmental sickness absence reports are provided for managers where staff hit escalation triggers. In practice, this did not always happen consistently.

Control Effectiveness

The control effectiveness was Moderate because there was non-compliance with key procedures and controls places the system objectives at risk.

For sickness absence management, the SC1 Form was not completed consistently by line managers, leading to elements of the information on the form being missing. Furthermore, information collected on the root cause for sickness absence was not analysed at a departmental level and shared with directorates to address local trends for sickness absence. This data was collected on the SC1 Form and input into Zellis.

The HR and Workforce Team are proactively seeking to address known challenges, including a change in the performance review process, replacing the annual formal process with more regular one-to-one meetings between staff and line managers. This is to support development and growth, and to address challenges earlier. As this process develops, it will be important to monitor compliance with the process to ensure it is effective, as in the Workforce Strategy audit there was high levels of non-compliance identified with the formal performance review process.

Risk Management

CRR Reference: All Corporate Risks

Design Opinion	S Substantial	Effectiveness Opinion	M Moderate
Recommendations	0 3 0		



SCOPE

Background

- ▶ The Chartered Institute of Public Finance and Accountancy's (CIPFA) Good Governance Standard for Public Services identifies the importance of effective risk management in the delivery of public services. Further guidance on risk management is prescribed by the Institute of Internal Auditors (IIA) and the government's 'Orange Book'.
- ▶ Local authorities face a wide range of strategic, operational and financial risks, from both internal and external factors. Risk management is a planned and systematic approach to identifying, evaluating and responding to risks and providing assurance that responses are effective.
- ▶ Gedling Borough Council's (the Council) Risk Management Framework and Strategy was approved and adopted by Cabinet on 28 March 2024. This establishes the Council's overarching objectives and principles for risk management, including its risk appetite, and guidance on the processes, procedures, roles and responsibilities for monitoring and managing risks.
- ▶ The Corporate Risk Scorecard is a key enabler of the Risk Management Framework and Strategy and provides assurance on the key risks identified as corporate risks. This is presented to the Senior Leadership Team (SLT) and the Audit Committee quarterly. SLT includes risk as part of its agenda to oversee any change in risk level which impacts the Corporate Risk Register.
- ▶ In January 2024, the Council implemented a risk management module on the Ideagen Pentana System (Pentana). This system is also used for performance management, so the aim was to create a uniform process for risk management to ensure that it remained central to decision making. Each risk is allocated to a risk owner to update the risk score and mitigating controls. The Chief Financial Officer and Deputy Chief Executive review local risks regularly to evaluate the impact on corporate risks.
- ▶ Following a restructure of the senior management governance structures, a Corporate Risk Board has been created to oversee and monitor risks across the Council. This meets every two months. Workshops for risk owners were also held in October 2024 to provide training and support on how to word risks effectively and monitor risks. Individual meetings were also held with departmental risk owners in May 2025.

Purpose

- ▶ The purpose of this review was to provide assurance over the Council's risk management arrangements at a corporate and departmental level. We also assessed whether there was a clear golden thread between the Corporate Risk Scorecard and Departmental Risk Registers, ensuring mitigating controls were documented and monitored at different levels of the organisation.

Areas reviewed

The following areas were covered as part of this review:

- ▶ The Risk Management Strategy and Framework to assess whether these provided a robust structure for risk management, including clarity over governance structures

and processes for risk management. We also assessed whether the Council have established and documented its risk appetite.

- ▶ Interviewed a selection of risk owners to enquire about their understanding of the Council's risks management procedures, and their roles and responsibilities for identifying and monitoring risks.
- ▶ Training for risk owners on Pentana and on the Council's risk management processes and procedures, to ascertain whether sufficient support had been provided to risk owners to manage and own their risks.
- ▶ A walkthrough of Pentana to assess whether risks had been identified, scored, allocated to owners and had documented mitigating actions to reduce the risk to a tolerable level. We assessed whether the risks have been worded properly (in accordance with CIPFA and government guidance for risk management) with clear and actionable mitigating controls to support effective risk management.
- ▶ Enquired about departmental risk management processes for identifying and documenting new or emerging risks. We reviewed departmental risk registers to ascertain whether these aligned with the Council's corporate risks and its broader Gedling Plan.
- ▶ The minutes or actions of all Corporate Risk Board meetings to assess whether there has been appropriate oversight and scrutiny of key risks, including those that were considered high risk.

Exclusions

- ▶ We did not review or observe departmental meetings as during our testing it was identified that this was not how departments evaluated and discussed local risks.



AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ The Council's Risk Management Framework meets the core expectation of guidance from CIPFA, the Government's Orange Book and the IIA, providing a robust framework and control environment for governance, risk management, and control processes across the Council.
- ▶ The Risk Management Framework incorporates risk management into strategic decisions and processes, supported by clear governance structures. The Framework establishes the Council's risk appetite as 'moderate', setting a clear tone and expectation to officers on the level of risk it is willing to tolerate in key decisions.
- ▶ The Council have established a Corporate Risk Board, attended by Senior Leadership Team members, with its inaugural meeting held in February 2025. The Corporate Risk Board meets before the Audit Committee to scrutinise and challenge high departmental risks and corporate risks. It also monitors risks where the risk score has increased to ascertain the reasons why. The introduction of the Corporate Risk Board demonstrates the culture for improving oversight and management of key risks.
- ▶ All risk owners interviewed demonstrated a good understanding of the importance of risk management and understood their responsibilities in identifying, analysing and mitigating risks through controls to reduce the risk to within the Council's risk appetite. The interviews were with Assistant Directors from different departments, who retain the responsibility of department risk management in their service areas.
- ▶ Assistant Directors that we interviewed understood their responsibilities for identifying and managing risks proactively. There was a positive perception for an effective risk management culture.
- ▶ Pentana enables an interactive and live tool for risk management. Each risk is aligned to the relevant corporate risk to create a risk tree, demonstrating the relationship of a change in one risk to other risks across the Council. The introduction of Pentana has improved monitoring and oversight of departmental risks, allowing for central monitoring on whether risks have been reviewed and updated each quarter.



AREAS OF CONCERN

Finding	Recommendation and Management Response
<p>We identified inconsistencies and non-compliance with Risk Management Framework in how risk owners documented quarterly reviews for departmental risks, which indicated a lack of understanding of their responsibilities for the ongoing review of their risks, in some instances (Finding 1 - Medium).</p>	<p><u>Recommendation</u></p> <ul style="list-style-type: none"> A. Guidance for risk owners on how to complete each section of Pentana should be added to the Risk Management Toolkit, potentially with examples on how to document these. We have provided brief guidance in Appendix II based on our understanding of how the system should be used. B. A secondary risk owner should be considered for each departmental risk to ensure there is continuity if a risk owner is unavailable due to absence or departure from the Council. Alternatively, risk owners should be instructed to re-allocate their risks on Pentana as part of a handover process if they were to leave or have a known period of absence. C. The Performance and Insight Manager should generate a report from Pentana for all risks on the final day of each quarter and check for any quarterly reviews that have not been completed. These should be reported to the Corporate Risk Board on an exception basis (ie those that have not been updated). D. The Review of Internal Control Form which Directors and Assistant Directors must sign as part of the annual Assurance Statements should be updated to explicitly include confirmation that all risks within their service area have been reviewed and updated quarterly on Pentana. This could be included under Section 1.4 of the existing Review of Internal Control Form template. <p><u>Management Response</u></p> <ul style="list-style-type: none"> A. The Council have prepared a step-by-step guidance document for staff to refer to, using the structure proposed in Appendix II. This will provide staff with instructions on how use Pentana to add a risk and controls, and the expectations for how these should be worded. This was presented to the Corporate Risk

		<p>Board in August 2025 for approval to roll out.</p> <p>B. We don't have capacity for more than a manager and risk owner, if a risk owner were to leave it is the Manager's responsibility to re-allocate the risk.</p> <p>C. This can be done but it is easier to look at the screen (which the Section 151 Officer and Monitoring Officer do every quarter to check for updates).</p> <p>D. This action will be undertaken for Assurance Statements in 2025/26.</p> <p>Target Date:</p> <p>A. 31 December 2025</p> <p>B. Completed - allocating recommendations to managers to re-allocate the risk if their staff leave</p> <p>C. 30 September 2025</p> <p>D. 1 April 2026.</p>
	<p>Increases and decreases to risk scores were not explained on Pentana for some risks, making it unclear as to what event has changed or what change in controls has caused the variation in the risk score. This could impact the Corporate Risk Board's ability to effectively scrutinise risk score changes (Finding 2 - Medium).</p>	<p><u>Recommendation</u></p> <p>In line with the action proposed in Recommendation 1A, written guidance should be prepared for staff on how to use Pentana and the expectations for narrative to be provided when risk scores are increased or decreased. It may be beneficial for the Council to prepare examples that risk owners can refer to, demonstrating the type of narrative expected.</p> <p><u>Management Response</u></p> <p>Training has been delivered and workshops delivered. For clarity we accept the recommendation to have clear written process and instruction linked to Pentana which will reiterate that at every review risk scores should be reviewed and updated. This has been prepared and reviewed by the Corporate Risk Board in August 2025. There have been some teething problems with the system and getting everyone to use it correctly, however the arrangements for effective risk management are in place it's just making sure individual managers are following instructions.</p> <p>We are now having the Corporate Risk Board meetings every other month where we raise issues and will raise non-compliance.</p> <p>Target Date: 31 December 2025.</p>

	<p>Some risks on Pentana did not identify the cause, event and consequence of the risk, as recommended in the Orange Book guidance (Finding 3 - Medium).</p>	<p><u>Recommendation</u></p> <p>The Risk Management Toolkit should be updated with guidance on how to write a risk, using the model proposed by the Orange Book of cause, event and consequence. As part of training or workshops delivered to staff, this should be included to explain the expectations on how risks should be presented on Pentana.</p> <p><u>Management Response</u></p> <p>We will take staff through the orange book guidance at the next board meeting. The Risk framework was one shared by BDO as an illustration of a risk management strategy implemented by another lower tier local authority, which we largely adopted. We can review and update to add specific wording this will be later in the year once risk reviews are properly embedded as that is the priority.</p> <p>As part of the workshops in May we did advise risk owners to properly consider whether their risks made sense and what exactly they were trying to achieve on the basis that some of the risk owners were new and they were best placed to understand the risks within their departments.</p> <p>Target Date: 31 October 2025.</p>
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ADDED VALUE

We provided the Council with an example of a corporate risk and how it is currently recorded on Pentana and provided methods by which it could be improved, including basing the wording of the risk around the cause, event and consequence per Orange Book guidance. We also identified how controls and further actions could be more targeted and specific to improve the accountability of risk owners on the actions they will take to mitigate risks.



CONCLUSION

We conclude that the Council has a Moderate design and effectiveness of controls for risk management.

Control Design

The control design is Substantial because the Council has a sound system of internal controls designed to achieve its system objectives but there were some exceptions.

Over the past two years, the Council have taken significant governance and process steps to improve risk management at a corporate and departmental level. The Risk Management Strategy and Toolkit has established a clear framework on the Council's approach to risk management, identifying the roles and responsibilities of all staff for effectively managing risks.

Furthermore, the implementation of the risk management module on Pentana has facilitated an improvement in how risk is documented and monitored, aligning risk management with the Council's broader performance management processes.

However, there remains room for improvement on how the Council document and monitor risks. We recognise that risk management must be proportionate, and there is no dedicated team or department for risk management, but there could be more guidance and examples for risk owners on how to document risks and controls to improve consistency. We have provided some guidance which the Council may wish to tailor and use in Appendix I.

Control Effectiveness

Similarly, the control effectiveness was Moderate as there was evidence of non-compliance with some controls, that may put some of the system objectives at risk.

As the new risk management processes on Pentana have only recently been implemented, it is expected that it may take some time for all risk owners to be aware of and competent in completing wording risks appropriately and documenting the quarterly reviews. However, these are important factors to improve risk management further at the Council.

From our interviews with Assistant Directors, it was clear that there was a broad understanding of risk management procedures and the expectations of risk owners; this did not always translate into these being recorded on Pentana.

It is important to note the positive direction of travel for risk management at the Council underpinned by a culture for improvement being led from the top. The Corporate Risk Board has formalised the governance and oversight of risk, providing a forum for the Senior Leadership Team to oversee and scrutinise higher significance risks.

Sector update

Our quarterly Local Government briefing summarises recent publications and emerging issues relevant to local authority providers that may be of interest to your organisation. It is intended to provide a snapshot of current issues for Elected Members and Executive Directors.

CITY EXPANSION OPTION EXPLORED IN COUNCILS SHAKE-UP

Nottingham City Council is exploring further options to expand the city's boundary amid a consultation to reorganise local government.

Residents of the city and the county have been asked to share their views on proposals to replace the existing council structure with two new unitary councils.

Two core options are currently being considered in Nottinghamshire include Broxtowe, and either Rushcliffe or Gedling, combining with Nottingham.

The two core options currently being considered in Nottinghamshire are known as 1b and 1e. These options are for a new authority to be created combining Nottingham, Broxtowe and either Rushcliffe or Gedling, with a second new unitary authority covering the rest of Nottinghamshire.

However, while the preferred option of Nottinghamshire County Council is 1b (for Gedling to be part of the unitary authority with Nottingham and Broxtowe) due to financial reasons, the City Council has an alternative preferred option that would change the existing boundaries of neighbouring boroughs and districts. The Deputy Leader for Nottingham City Council confirmed the authority was in favour of an option that would effectively see only parts of neighbouring districts combined with Nottingham, not the entire district or borough.

He said: "The suggestion that the city expands into the whole of the Rushcliffe district is quite something. "There are areas and villages or towns in there that do not have a shared identity with Nottingham."

He added: "Ultimately the end goal here has to be not just lines moved on a map, but services that actually are good value for money that meet the needs of people and create new authorities that actually deliver for people."

The public consultation remains open until 14 September 2025. The deadline for the final proposal to be submitted to the Government is 28 November 2025.

Nottingham expansion option explored in councils shake-up - BBC News

FOR INFORMATION

For the Audit Committee and Senior Leadership Team

MINISTERS DID NOT DO A COST REVIEW OF COUNCIL MERGERS

The UK Government did not perform its own analysis of the cost of local government reform, relying on 2020 cost estimates prepared by the County Council Network.

In December 2024, the Government announced an historic reform of local government, replacing the two-tier authority structure with unitary authorities that will be responsible for performing all the duties of local government.

The Governments reported that merging councils into 21 unitary authorities could save £2.9bn over five years. A freedom of information request submitted by the BBC has found that this figure was based on a report commissioned by the County Council Network in 2020 and that the Government did not perform its own analysis of the potential savings. The County Council Network has now revised its analysis, lowering the expectations on the savings that will be created and citing some instances where it may cost more money than it currently does.

The Chair of the County Council Network has stated that local government reform delivered at the right scale has the potential to provide billions of pounds in efficiency savings that can be invested into

public services. However, he added “We are concerned over the potential costs of reorganisation where proposals seek to replace the two-tier system with multiple small unitary councils”.

The District Councils’ Network has raised concerns over the impact on local government, which is already facing funding pressures. It has called on the Government to commission its own analysis of local government reorganisation to consider the optimal size of the unitary authorities to maximise the potential savings.

In response, the Ministry for Housing, Communities and Local Government has said “Councils across the country have also told us that bringing services together under one roof means residents get joined-up support when they need it most, while clearer structures mean people know exactly who’s responsible for delivering their services”. It has also emphasised that reorganisation will be developed at a local level.

Nottinghamshire is currently undertaking a public consultation on its options for local government reform.

Ministers didn’t do cost review of council mergers - BBC News

FOR INFORMATION

For the Audit Committee and Senior Leadership Team

LOCAL GOVERNMENT PAY: INFLATION EXCEEDS 3.2% DEAL FOR FOURTH MONTH IN A ROW

Prices rose by 3.8% in the year to July 2025, according to government’s preferred measure, compared with 3.2% pay settlement for council staff in England, Wales and Northern Ireland

Inflation has outpaced the 2025-26 local government pay rise for the fourth consecutive month (between April and July 2025). Prices increased by 3.8% in the year to July 2025, according to the Consumer Price Index (CPI) measure from the Office for National Statistics. The CPI was 3.6% in June, 3.4% in May, and 3.5% in April. This was higher than the 3.2% pay increase for council staff in England, Wales, and Northern Ireland.

The Bank of England has forecasted that CPI is expected to rise to 4% in September 2025 before dropping towards its 2% target. The local government pay round was settled with an agreement for a backdated pay increase to April 2025.

Local government pay: inflation exceeds 3.2% deal for fourth month in a row - Community Care

FOR INFORMATION

For the Audit Committee and Senior Leadership Team

LEADERSHIP IN LOCAL GOVERNMENT

CMI has partnered with the Social Market Foundation to explore the role that quality leadership and management can play in improving local government effectiveness

Effective leadership and management are crucial for public sector performance, including local government. The Chartered Management Institute (CMI) have partnered with the Social Market Foundation to conduct research, based on expert insights, survey data and case studies to examine the latest leadership and management challenges in local government.

We have summarised the key findings and the proposed improvements that this report by the CMI have made.

Key findings

- ▶ Only 67% think that senior leadership in their organisation is effective at ensuring the organisation succeeds, raising questions about how widespread good leadership is.
- ▶ Less than half (only 45%) of surveyed leaders and managers agreed that in 2022, the leadership in their council was effective at attracting talent.

- ▶ 40% of leaders and managers said the senior leadership in their authority were poor at motivating staff or failed to do it at all.
- ▶ Only 44% think that their organisation is performing well in ensuring accountability for failure and just under a quarter (24%) think addressing staff underperformance is poor.

Proposed improvements

- ▶ The Office for Local Government (Oflog) should prioritise leadership and management quality, adopting and sharing best practices across the sector to collectively improve leadership standards.
- ▶ The Department for Levelling Up, Housing and Communities (now the Ministry for Housing, Communities and Local Government) should establish a leadership academy to provide managers and leaders with access to high quality leadership training.
- ▶ The Department for Levelling Up, Housing and Community should create a 10-year workforce strategy for local government, supporting by an increase in funding to local authorities to improve recruitment and retention of staff.
- ▶ The workforce strategy should recognise the importance of diversifying the workforce, introducing a direct entry system for leaders from other industries to bring in fresh ideas and perspectives.

Management and leadership in local government report - CMI

FOR INFORMATION

For the Audit Committee and Senior Leadership Team

ASYLUM HOTELS: STATEMENT ON HIGH COURT RULING

Council to press ahead with planning and legal steps over asylum accommodation hotels despite Court of Appeal Ruling

A High Court judge ruled in favour of Epping Forest District Council in a court case against the owner of a hotel that was being used to accommodate asylum seekers pursuant to the duties imposed on the Home Secretary under the Immigration and Asylum Act 1999.

This judgement concluded that the use of the hotel constituted a material change of use to which the planning permission was granted, thereby it contravened the lawful use of the property. Epping Forest District Council sought an injunction pursuant to the Town and Country Planning Act 1990 to restrain the current use of the hotel.

The Court of Appeal has set aside the interim injunction.

However, West Northamptonshire Council has stated that the Court of Appeals ruling does not change its course of action to take legal steps against hotels in its jurisdiction.

The Leader of West Northamptonshire Council said “We note the Court of Appeal’s decision to overturn the High Court’s interim injunction granted to Epping Forest District Council and await the outcome of the full injunction hearing in October”.

According to reports in *The Times* at least 13 local authorities will continue with plans for legal action against hotels accommodating asylum seekers, despite the Court of Appeals ruling.

In response to the High Court’s original ruling, the Chair of the Local Government Association said “we continue to stress to government that the Home Office must work much more closely with councils regarding asylum accommodation decisions and on improving the current asylum system in the long-term. Councils understand their places and communities best and the Home Office should be drawing on this experience in any locating decisions and through the existing engagement around asylum and resettlement that the LGA facilitates”.







Asylum hotels: Statement on High Court ruling | Local Government Association

Council to press ahead with “planning and legal steps” over asylum accommodation hotels despite Court of Appeal ruling in Epping Forest case | Local Government Lawyer

FOR INFORMATION





For the Audit Committee and Senior Leadership Team

Key performance indicators




QUALITY ASSURANCE	KPI	RAG RATING
The auditor attends the necessary, meetings as agreed between the parties at the start of the contract	All meetings attended including Audit Committee meetings, pre-meetings, individual audit meetings and contract reviews have been attended by either the Engagement Partner or the Engagement Manager.	
Positive result from any external review	Following an External Quality Assessment by the Institute of Internal Auditors in May 2021, BDO was found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards	
Quality of work	We received two responses to our audit satisfaction surveys for 2024/25 reviews, with an average score of 4.3/5 for the overall audit experience and for the value added from our work. The number of responses is lower than we would expect, and we will work with the management team to increase the number of responses to our surveys.	  
Completion of audit plan	We have progressed the 2025/26 Internal Audit Plan, with two audits presented to this Audit Committee meeting and other audits in the planning phase.	

Appendix I

OPINION SIGNIFICANCE DEFINITION

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

RECOMMENDATION SIGNIFICANCE DEFINITION

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

FOR MORE INFORMATION:

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

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