

Gedling Borough Council
Internal Audit Progress Report
February 2026

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 1 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 making good progress in the delivery of the audit plan with all of our audit reviews fully scoped and either finalised or in the fieldwork phase.

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

- Main Financial Systems - this is a confidential report
- Cyber Security - this is a confidential report
- Asset Management - Commercial Assets.

Fieldwork is in progress in respect of the following audits:

- Asset Management - Residential Assets (draft report phase)
- Corporate Governance
- Complaints and Freedom of Information Requests.

We anticipate presenting these reports at future Audit Committee meetings.

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	✓	✓	✓	Confidential	
Asset Management - Commercial Assets	March 2026	✓	✓	✓	M	M
Asset Management - Residential Assets	March 2026	✓	✓	✓ Draft		
Freedom of Information Requests and Complaints	June 2026	✓	✓			
Corporate Governance	June 2026	✓	✓			
People Services	September 2025	✓	✓	✓	L	M
Cyber Security	March 2026	✓	✓	✓	Confidential	

Asset Management - Commercial Assets

CRR Reference: CR002, CR007 and CR013

Design Opinion



Moderate

Effectiveness
Opinion



Moderate

Recommendations



SCOPE

Background

- ▶ The Royal Institution of Chartered Surveyors (RICS) Public Sector Asset Management Guidelines define strategic asset management as the activity of aligning property assets with the strategic aims and direction of the organisation and adding both financial and non-financial value to the organisation.
- ▶ It proposes that organisations should maintain the following documents to support the management of its assets:
 - Asset Management Policy (AMP) - the 'rules' by which assets to be deployed and managed. This is rarely a single policy but a suite of policies including but not limited to decision-making and governance, acquisition and disposal procedures, procurement and measuring performance.
 - Asset Management Strategy (AMS) - a strategic planning document that indicates the direction of travel for asset management but set clearly in the context of the organisation's objectives, relevant government policies and other strategic issues that may impact assets required.
 - Asset Management Action Plan (AMAP) - the delivery plan for property assets given details such as timescales for action, costs (and revenues), outcomes to be achieved and responsibilities for action. The plan should be refreshed annually.
- However, local government reorganisation has shifted priorities and resource allocations for local authorities. Therefore, a more streamlined approach to asset management may be considered proportionate to see an organisation through to the new authority.
- ▶ Gedling Borough Council (the Council) has a diverse portfolio of assets (made up of land and buildings) ranging from community centres, parks and open spaces serving the residents of the borough, through to commercial and investment property, providing an income to the Council and accommodation for small local businesses.
- ▶ The Council has created its AMAP and AMS which has been approved by the Senior Leadership Team (SLT). Each asset has been placed into one of five categories on how the asset should be treated, ie refurbishment, demolition, disposal, etc. The Property Team are in the process of developing the Work Plan to deliver the AMAP and AMS.
- ▶ Historically, Uniform was the system used by the Council to manage commercial assets, however, more recently, it has used spreadsheets to manage its commercial and investment assets.
- ▶ The loss or damage to infrastructure assets due to inadequate maintenance, protection or insurances has a score of nine on the Corporate Risk Scorecard (CR007). This risk has decreased over the past six months.

Purpose

- ▶ The purpose of the audit was to review the Council's management of its commercial assets, including its longer-term strategy for the use of operational, commercial and investment assets.

- ▶ This review focused on commercial and investment assets, and excluded residential assets owned by the Council (for temporary accommodation use). We are undertaking a separate audit to assess the management of residential assets.

Areas reviewed

The following areas were covered as part of this review:

Asset Management Strategy and Plan:

- ▶ The draft AMS to ascertain whether it aligns with best practice and guidance for local authorities on asset management by considering whether it meets the following aspects:
 - The AMS and AMP to assess whether strategic decisions have been identified for each commercial and investment property in the Council's portfolio, supported by documentation to support the rationale for the strategy.
 - The Gedling Plan and the AMS and AMP to ascertain whether there is strategic alignment between the use of commercial and investment properties and the Council's wider strategic objectives.
 - The Work Plan for the AMS and AMP to ascertain whether actions have been set, are time bound and accountable officers have been identified for each action. We also assessed whether actions have been prioritised in line with the strategic targets set in the AMS and AMP.
 - Working Group and SLT reporting on the delivery of the Work Plan to ascertain whether there are appropriate governance arrangements to monitor the actions set and scrutinise these where appropriate.
- ▶ This part of the report was advisory and provided the Council with recommendations on changes that could be made to the draft AMS before it was presented to Members for approval. For the avoidance of doubt, an opinion was provided for the risks and scope areas covered under Investment Properties and Rental Income. The risks and scope areas covered under Asset Management Strategy and Plan were advisory and did not form part of the audit opinion.

Investment Properties Rental Income

- ▶ The spreadsheet used to monitor investment assets to ascertain whether there were sufficient controls to monitor when rent reviews are due and escalate non-payment of rent from tenants.
- ▶ The Council current has 85 estates properties recorded in the spreadsheet with the current rent totalling to £1.066m. We reviewed a sample of ten leases for investment properties owned by the Council with total annual rent of £179,708 to assess whether:
 - Rent reviews were performed in accordance with the schedule established in the lease agreement.
 - The last four invoices issued to the tenant to verify that these were accurate based on the terms set in the lease agreement.
- ▶ A lease agreement has been signed by the tenant and the Council and has been retained by the Property Team.



AREAS OF STRENGTH

We identified the following areas of good practice:

Investment Properties Rental Income

- ▶ The Council has strengthened the operational process by developing a master tracking spreadsheet covering all commercial properties. This tracker incorporates a RAG status to highlight upcoming and overdue rent reviews. In addition, the Property Team uses a shared calendar linked to staff diaries where key rent review dates for properties are manually entered to ensure rent review due dates are proactively monitored.
- ▶ The Council has developed a rent review checklist to support the consistent delivery of rent reviews by setting out step by step guidance on the expected rent review

process. This guidance requires the following actions to be performed during a rent review: review of the lease terms, calculating the revised rent, updating records on the master tracker spreadsheet and liaising with the Revenues Team to inform them of changes to billing or invoicing.

- ▶ We tested a sample of ten commercial properties to ascertain whether lease agreements were in place and rent had been charged accurately based on the terms of the lease. We confirmed that:
 - All ten leases had been signed by the tenant and the Council and were within the date covered by the lease.
 - Following a rent review, nine invoices had been accurately calculated based on the rental increase rate set in the lease terms. There was one exception which has been summarised in Finding 4.
- ▶ The Council use the Civica system to manage invoicing for rental income which is administered by the Revenues Team. Where changes to rental charges are required, the Property Team calculates the revised rent and formally requests the update by email to the Revenues Team once changes have been applied. Confirmation is sought that these changes are made to invoices. The Council provided examples which demonstrated that this process has been applied.
- ▶ The Civica system issues up to two automated reminders for overdue payments once a defined threshold has been reached. Where a payment remains outstanding, the debt is escalated for manual recovery by the Revenue Team or external debt collection agents. The Revenues Team also produce Monthly Recovery Control Reports for the Property Services Team which lists the rent arrears. This provides data for the Property Services Team to follow up with tenants in arrears.



AREAS OF CONCERN

Finding	Recommendation and Management Response
The Council's asset management framework is currently under development. While a draft AMS and AMAP have been produced, the approach for asset management has not been embedded into the AMS and the action plan could benefit from further operational detail (Finding 1 - Medium).	<p>Recommendation</p> <p>A. The Property Services Manager should incorporate an asset management approach into the AMS and AMAP, clearly setting out governance arrangements, roles and responsibilities, asset management principles and detailed procedures for managing the Council's property asset.</p> <p>B. The Property Services Manager should continue to enhance the current draft AMAP as a delivery-focused document by applying SMART (specific, measurable, achievable, realistic and time bound) metrics including defined outcomes, owners, and target dates and resource consideration to ensure consistency and effective progress tracking.</p> <p>C. The Council should enhance the AMS to formalise its asset management governance arrangements by establishing regular oversight through an appropriate working</p>

		<p>group or SLT meetings supported by mechanisms to ensure that asset management decisions are consistently translated into the AMAP.</p> <p><u>Management Response</u></p> <p>A. With Local Government Reorganisation imminent, all councils within the new unitary footprint will merge and a single consolidated asset management framework will be created. CIPFA and RICS guidance does not mandate a standalone Asset Management Policy, and both bodies emphasise proportionality and flexible application rather than prescriptive documentation requirements. In this context, developing a light-touch Asset Management Strategy supported by the Action Plan is appropriate and efficient, avoids creating documents that will be replaced through LGR, and still provides sufficient governance, strategic alignment, and control for the transitional period.</p> <p>B. The AMAP has been fully updated to include clear actions, priorities, owners and timescales, and the revised version has already been shared with BDO. It now functions as a practical action plan aligned to the annual delivery plan.</p> <p>C. Asset management governance is already embedded within the Council's existing structures, with the Asset Management Plan forming part of the Smarter Working Board's programme of work. Going forward, once the Asset Management Strategy is approved, all strategic asset management decisions will be reported through and overseen by the Smarter Working Board, ensuring consistent governance, cross-service alignment and improved visibility of progress.</p> <p>Target Date: (A) 27 February 2026, (B) Complete, (C) Once the AMS has been approved, the reporting of the AMS and AMAP will be reported into the Smarter Working Board.</p>
	<p>There were instances where rent reviews were not completed strictly in accordance with lease requirements including back dated reviews for prior years and the</p>	<p><u>Recommendation</u></p> <p>A. The Property Team should ensure that rent reviews are completed in a timely manner and strictly in</p>

	<p>application of a different base month's when calculating the RPI increase to the date specified in the lease agreement (Finding 2 - Medium).</p>	<p>accordance with the specific rent review provision set out in individual lease agreements.</p> <p>B. The Property Team should implement log the dates that actual rent reviews are performed on the master tracker and compare these to the dates that they were scheduled to be performed. A periodic root cause analysis should be conducted where this data identifies delays in completing rent reviews.</p> <p><u>Management Response</u></p> <p>A. We acknowledge the recommendation and recognise that a historic backlog of rent reviews had contributed to delays in completing reviews strictly in accordance with lease terms. Over the past year the team has worked hard to put additional procedures, structure and resource in place to clear this backlog, including improved tracking, diarised review dates and strengthened operational processes. With the historic backlog now addressed, rent reviews will be more timely, manageable and consistently delivered going forward, ensuring that the process operates effectively and in line with lease requirements.</p> <p>B. The Property Team will begin logging the actual dates that rent reviews are completed within the master tracker and will compare these against the scheduled dates. This will allow us to actively monitor any variance and identify patterns or delays.</p> <p>Target Date: 31 March 2026 (for both recommendations)</p>
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CONCLUSION

We conclude that the Council has a Moderate design and effectiveness of controls for its asset management. While we have raised one finding into the AMS and AMAP, this section of the scope was advisory to support the implementation of best practice. Our opinion is driven by the three findings raised in relation to the management and billing for commercial investment properties.

Control Design

The control design was Moderate because the Council generally has a sound system of internal controls designed to achieve its objectives with some exceptions.

There were operational tools, checklists and documents in place to provide a framework for managing investment properties, ensuring rent is charged accurately and collected promptly. The Property Team have a master tracker in place to monitor all commercial properties.

However, it could be improved by clear and documented guidance or procedure notes for rent reviews to maintain consistency and continuity within the team. We identified some exceptions where there had been delayed or inaccurate rent reviews.

Control Effectiveness

The control effective was Moderate because there was evidence of non-compliance with some controls, that may put some of the system objectives at risk.

The rent review and invoicing process was broadly in line with the relevant lease terms and, generally, rent reviews were calculated and invoiced correctly. However, in our testing, we did identify some exceptions, including delays in completing rent reviews, the application of the incorrect base month for rent increase calculations and invoicing errors for rental income. These were broadly minor and did not have a material financial impact on the Council. It did often mean that rent reviews were applied late, leading to delays in the charging and collection rent increases to tenants. We have seen instances at other authorities where the undercharged rent has been significantly higher due to administrative errors but as the financial values were generally low, this supports our overall conclusion.

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.

MHCLG SET TO SCALE BACK NOTTINGHAM INTERVENTION

The government intends to scale back intervention at Nottingham City Council after commissioners said they could conclude their work this month.

Commissioners were put in place at Nottingham City Council in February 2024 after it issued a Section 114 notice, declaring its inability to deliver a balanced budget.

The Commissioners have issued fourth report to ministers, with the latest report recommending that their involvement at Nottingham City Council is ended, citing that “the authority should be congratulated for the prioritisation and smooth running of the [budget setting] process”. The Commissioners did note that the City Council is failing to meet the best value duty in continuous improvement and service delivery.

The Minister of State for Local Government and English Devolution acknowledged in a written ministerial statement that there has been “significant improvement” to the City Council’s financial management. The Minister further announced that the intervention would continue with the appointment of two envoys who “would work collaboratively with the council in an advisory and mentoring capacity”. However, the envoys will not hold powers to exercise the functions of the City Council, who will now have all decision-making responsibilities. This transition is considered to be the next phase of the City Council’s improvement journey.

MHCLG set to scale back Nottingham intervention - Local Government Chronicle

FOR INFORMATION

For the Audit Committee Members and Executive Directors

ADULT SOCIAL CARE FAIR PAY AGREEMENT IS ‘UNWORKABLE’ ACORDING TO THE LOCAL GOVERNMENT ASSOCIATION (LGA)

The LGA supports a focus on improving pay in adult social care but is warning that the proposed adult social care Fair Pay Agreement (FPA) model is unworkable without adequate funding and local government involvement in the negotiating body.

LGA has announced its support for improving pay in adult social care but warns that the proposed FPA model is unworkable without adequate funding and local government involvement. Local authorities, as primary commissioners, spent £26.7bn on adult social care in 2025/26, representing 40% of council budgets.

In its response to the Department for Health and Social Care’s consultation, the LGA stressed the need for local government to be central to the FPA process. The government has allocated £500 million for the first FPA in 2028, sourced from the £4bn announced in the Spending Review, including council tax income. However, with 1.6 million workers potentially affected, the LGA is concerned this funding is insufficient and could further strain council budgets.

The LGA has called for full central government funding for all costs, including implementation and legal liabilities, direct local government representation in the Adult Social Care Negotiating Body (ASCNB), and a comprehensive Equality Impact Assessment.

Councillor Pete Marland, Chair of the LGA’s Local Government Resources Committee, highlights the importance of improving pay for sustainability but insists local government must be involved in decision-making to prevent jeopardising care supply and council financial stability.

Adult social care Fair Pay Agreement is ‘unworkable’ without proper funding and local government involvement, LGA says - Local Government Association

FOR INFORMATION

For the Audit Committee Members and Executive Directors

COUNCILS REQUEST TO DELAY LOCAL ELECTIONS

Twenty-nine councils have written to the government asking their local elections to be postponed by a year, citing the resources needed to deliver the local government reorganisation (LGR) programme, and the cost of holding elections.

Twenty-nine councils have requested the government postpone their local elections by a year, citing the resources needed for local government reorganisation (LGR) and election costs. Among these councils, 21 are Labour led, four Conservative, two Liberal Democrat, one Green, and one independent. The government had offered 63 councils the option to delay their May elections due to LGR challenges, and all have now confirmed their positions. Local Government Secretary Steve Reed stated that most elections will proceed as scheduled, but delays are considered where significant reorganisation is underway.

Sky News reports that 29 councils requested a delay, 33 did not, and one was undecided. Councils argue that spending on elections for positions lasting only a year is impractical. The final decision rests with the government, facing criticism from opposition parties. Reform UK leader Nigel Farage plans a legal challenge against the delays, accusing major parties of excluding his party from power. The Electoral Commission's chief executive, Vijay Rangarajan, expressed concern over postponements, stressing that elections should proceed as planned unless exceptional circumstances arise, warning of potential impacts on local decision-making legitimacy and public confidence.

Number of councils that have requested delay to local elections revealed - Sky News

FOR INFORMATION

For the Audit Committee Members and Executive Directors

GOVERNMENT COMMITS TO PAYING 90% OF COUNCILS' SEND DEFICITS

The government has outlined how it intends to manage councils' accumulated special educational needs and disabilities (SEND) deficits: announcing it will pay 90% of these deficits.

On 9 February 2026, the Government announced that it will provide a grant for councils to pay off their deficits in Autumn 2026, subject to local authorities submitting and securing the Department for Education's approval of a local SEND reform plan.

The Government has said that it will 'take an appropriate and proportionate approach, though it will not be unlimited.' Based on research conducted by the County Councils Network in Autumn 2025, it was projected that these deficits are set to reach £6.6bn by the end of 2025/26.







In response to the Government's announcement, Councillor Bill Reavens, the SEND spokesperson for the County Councils Network said "The CCN will now engage with its member councils on the impact of these proposals and it is crucial that any long-term solution is also fair to all councils. Alongside this, the government should reform the outdated dedicated schools grant formula to recognise the disproportionate SEND pressures faced by county and rural unitary councils".

Government commits to paying 90% of councils' SEND deficits - County Councils Network

FOR INFORMATION





For the Audit Committee Members and Executive Directors

Key performance indicators




QUALITY ASSURANCE	KPI	RAG RATING
The auditor attends the necessary, meetings as agreed between the parties at the start of the contract	All meetings attended including Audit Committee meetings, pre-meetings, 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. So far, we have not received any survey responses in 2025/26 which is significantly lower than we would expect but we will continue to issue survey requests with the final version of each report.	  
Completion of audit plan	We have progressed the 2025/26 Internal Audit Plan, with three reports presented to this Audit Committee meeting and other audits in the fieldwork phase. We have commenced and completed a significant amount of the fieldwork in other review.	

Appendix 1

OPINION SIGNIFICANCE DEFINITION

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

RECOMMENDATION SIGNIFICANCE DEFINITION

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

FOR MORE INFORMATION:

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