

Governance and Audit Committee



SOUTH
KESTEVEN
DISTRICT
COUNCIL



Tuesday, 26 September 2023 at 10.00 am
Council Chamber - Council Offices,
St. Peter's Hill, Grantham. NG31 6PZ

**Committee
Members:**

Councillor Tim Harrison (Chairman)
Councillor Paul Wood (Vice-Chairman)

Councillor Patsy Ellis, Councillor Bridget Ley, Councillor Charmaine Morgan,
Councillor Rob Shorrocks, Councillor Peter Stephens, Councillor Ian Stokes and
Councillor Sue Woolley

Agenda

This meeting can be watched as a live stream, or at a later date,
[via the SKDC Public-1 Channel](#)

- 1. Apologies for absence**
- 2. Disclosure of interests**
Members are asked to disclose any interests in matters for consideration at the meeting.
- 3. Minutes of the meeting held on 12 July 2023** (Pages 3 - 13)
- 4. Updates from previous meeting** (Page 15)
To consider updates on actions agreed at the meeting held on 12 July 2023.
- 5. External Audit Plan 2022-2023** (Pages 17 - 39)
- 6. External Audit Findings 2021-2022** (To Follow)
- 7. Internal Audit Progress Report** (Pages 41 - 112)
Assurance Lincolnshire will present their progress report and this agenda will also include the Council's management response.

- 8. Internal Audit Annual Report** (Pages 113 - 139)
Assurance Lincolnshire will present their annual report and this agenda will also include the Council's management response.
- 9. Start Times of Council Meetings** (Pages 141 - 157)
The Governance and Audit Committee is requested to consider the results of a survey to all Members of the Council in respect of start times of the Council's public meetings.
- 10. Local Government and Social Care Ombudsman - Annual Review Letter 2022-2023** (Pages 159 - 175)
To report the content of the Local Government and Social Care Ombudsman's Annual Review Letter for 2022-23.
- 11. Counter Fraud Annual Report 2022-2023** (To Follow)
One of the key areas for Governance and Audit Committee, as part of its terms of reference, is to monitor and review the counter fraud arrangements in place and the activities that are being undertaken to mitigate those risks.
- 12. Health and Safety Annual Report 2022-2023** (Pages 177 - 194)
This report presents the annual Health and Safety Report for 2022/23. It provides an overview of South Kesteven District Council's management of health and safety. It summarises progress made, highlights areas for improvements, and identifies accident rates for the period 2022/23.
- 13. Market Service Operational Review** (Pages 195 - 204)
To provide a progress update regarding the Council's Market Service Operational Action Plan.
- 14. Work Programme 2023- 2024** (Pages 205 - 207)
To consider the Committee's Work Programme for 2023 – 2024.
- 15. Any other business, which the chairman, by reasons of special circumstances, decides is urgent.**

Meeting of the Governance and Audit Committee



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Wednesday, 12 July 2023, 2.00 pm

Committee Members present

Councillor Tim Harrison (Chairman)
Councillor Paul Wood (Vice-Chairman)

Councillor Patsy Ellis
Councillor Bridget Ley
Councillor Charmaine Morgan
Councillor Ian Stokes
Councillor Mark Whittington
Councillor Sue Woolley

Cabinet Members present

Councillor Richard Cleaver (Leader of the Council)
Councillor Ashley Baxter (Deputy Leader of the Council)
Councillor Phil Dilks (Cabinet Member for Housing and Planning)
Councillor Philip Knowles (Corporate Governance and Licensing)
Councillor Rhea Rayside (Cabinet Member for People and Communities)

Other Members present

Councillor Virginia Moran
Councillor Ian Selby

Officers present

Richard Wyles, Chief Finance Officer and Deputy Chief Executive (Section 151 Officer)
Alison Hall-Wright, Assistant Director of Finance (Deputy Section 151 Officer)
Tracey Elliott, Governance and Risk Officer
Debbie Roberts, Head of Corporate Projects, Policy and Performance
James Welbourn, Democratic Services Manager
Matt Waller, Assurance Lincolnshire

17. Apologies for absence

Apologies for absence were received from Councillors Rob Shorrocks and Peter Stephens.

Councillor Mark Whittington substituted for Councillor Stephens.

18. Disclosure of interests

No interests were disclosed.

19. Minutes of the meeting held on 14 June 2023

The minutes of the meeting held on 14 June 2023 were proposed, seconded and **AGREED** as a correct record.

20. Updates from previous meeting

The Chairman informed the Committee that a supplement had been circulated to Members prior to the meeting which confirmed any updates following the meeting of 14 June 2023.

The Chairman invited questions, however, there were none.

21. Internal Audit Progress Report

The purpose of this report was to provide details of the audit work during the period 1 March to 30 June 2023, advise on progress of the 2022/23 plan and raise any other matters relevant to the Audit Committee role.

The report was presented by Assurance Lincolnshire Auditors. Since the last update report presented to the Governance & Audit Committee in March 2023, the following work has been completed:

- Combined Assurance/ Service Assurance (Consultancy)

Work was completed with the Senior Leadership Team to produce a service assurance report. This process involved discussion across the Council and provided management with an overview of the Council's assurance across critical activities, key projects, key partnerships and key risks. A report had been provided to Corporate Management Team (CMT) and the work used to support the annual opinion and audit planning.

There was one audit remaining from the 2022/23 plan, Debtors, which was at draft report stage awaiting a closure meeting and management agreement. The Capital Programme and Creditors reports were being finalised at the time of issuing this report. Details would be included in the next progress report to the committee. It was confirmed the audit opinion was substantial assurance for both these areas.

Following agreement of the 2023/24 Audit Plan at Committee in June auditors were now in the process of liaising with managers to schedule the audits. They would

also be carrying out a review of the audit plan and the remaining time available to provide a revised plan.

The actions made by Assurance Lincolnshire had been tracked since starting with the Council in 2022/23. Progress in implementing the recommendations made to date had been obtained from the responsible officers and recommendations had been closed off where advised. All but eight of the actions due by 31st May had been actioned, the eight have had their due date extended.

Members raised the following points during discussion:

- Why had some audit completions been delayed? Progress had been disappointing.
- What assurance or guarantee could be given that the planned workload for the coming year could be completed within the required timeframe?
- Prioritising the most important work was essential.
- Were the required meetings with senior management officers scheduled into the calendar and reports expected at the September Committee still within the agreed timeframe?

The Auditor informed Members that staff resources had been limited and the closing down process had taken longer than planned. An updated plan on the schedule of audits was being prepared and was to be reviewed during the year according to risk assessments carried out. The Auditor was unable to confirm that the full annual plan would be completed by March 2024 however, meetings with senior management were to be scheduled and discussions to take place prior to confirming a timescale for audits to take place.

The Chief Finance Officer confirmed that the plan had only been approved by the Governance and Audit Committee less than one month ago. The purdah period and subsequent election had contributed to a delay which would not have been seen in the previous year when no all-out elections had taken place. The Draft Plan had been compiled from a risk analysis profile of the Authority and consideration of the resources available. Prioritisation had to be considered within the context of the audit. If additions were to be made, delays would be inevitable in other areas as resources were not infinite. As an example, payroll had become an in-house service from 1 April 2023 and the audit was to be scheduled once the service had operated for a period of time to ensure the risk framework was where it needed to be. The Audit Plan for the forthcoming financial year was approved by the Governance and Audit Committee, and officers would not want to commence audits that the Committee had not considered or approved. The Audit Plan was not considered by the Committee until June 2023 causing the first quarter of the year to be lost. While a progress report was expected to be heard at the September meeting of the Governance & Audit Committee, the Draft Plan would not be completed until later in the year.

The Governance and Audit Committee requested that Housing Repairs be considered as an addition to the Audit Plan.

The progress report from Assurance Lincolnshire was noted by the Committee.

22. Provisional Outturn Position Report 2022-2023

The Deputy Leader of the Council introduced the report.

2022/23 was a turbulent financial year which required the Council on 24 November 2022 to approve a series of amendments to the budget framework in order to respond to significant volatility to the budgets resulting from the pressures on utilities, fuel, pay and inflation. Following this, budgets were amended accordingly and the variances in this report were in relation to those amended budgets.

The report ensured that the final account figures could be reconciled back to the budget set by the Council.

Due to timing differences in grants and budgets being approved, it was proposed to carry a number of budgets forward into 2023/24 to fund specific and previously approved projects.

The amended budget set by Council on 24 November 2022 was £22.148m. Budgets have been amended as projects have commenced and these changes increased the 2022/23 budget to £22.209m. For the purposes of the outturn variance analysis, the budget carry forwards had been removed from this which reduces the budget for comparative purposes to £20.249m.

The forecast outturn position as at Quarter 3 was reported to the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee on 21 February 2023. At this time, a reduction in the forecasted spend, additional projected investment interest and Minimum Revenue Provision (MRP) reduction resulted in a forecasted balanced position.

The budget set by Council on 3 March 2022 for the 2022/23 General Fund Capital programme was £19.608m.

As at 31 March 2023, there was an underspend of £13.008m which included underspends of £308k on the Disabled Facilities Grant, £224k on the Vehicle Replacement Programme, a deferral of works to the re-surfacing of Welham Street car park at £127k and £793k underspend on the Sustainable Warmth Grant which the Council received to assist with the upgrade of energy efficient homes for low income households.

Discretionary Reserves of £10.873m have been established to financially support the delivery of the Council's Corporate Plan ambitions including both revenue and

capital projects as well as to prepare for unforeseen financial pressures, such as an impending staff pay award. It was within the role of the Governance and Audit Committee to consider the movement of funds within the Reserves.

The Deputy Leader informed Members that the Climate Change Reserve was used to fund one-off climate initiatives. There were sufficient funds to create a Lighting Reserve for the upgrade of street-lighting to LED lighting within the district, as discussed at the Environment Overview and Scrutiny Committee held on 11 July 2023.

Governance Reserves of £8.071m were maintained to mitigate risk, satisfy statutory and grant awarding bodies' requirements and support prudent financial management.

The Chief Finance Officer informed Members that the last year had seen significant increases in investment income compared to budgets due to 13 increases in the base rate.

The Housing Revenue Account (HRA) capital fund was approximately £10 million underspent at this time. The General Fund was in a similar position due to the Deepings Leisure Centre refurbishment programme not being taken forward by the Council.

During discussion, Members raised the following points:

- A Member requested that more assurance be provided on the 'earmarked' reserves. For example, £300,000 was allocated to the Climate Change Reserve. What was the money specifically to be spent on?
- What scrutiny was to take place on the prioritisation of funds, particularly on the Climate Change Reserve?
- How was the £300,000 reserve movement for Climate Change decided and did it represent a reduction in ambition? It was considered that the Climate Change Reserve was unique in its required use.
- It was important that assurance was provided to the public that great consideration was given to how the Climate Change Reserve funds were allocated.
- Were there sufficient funds within the Staff Pay Award Reserve to cover any potential rise in pay?
- It was welcomed that proactive action was to be taken against Climate Change.

The Chief Finance Officer informed Members that reserve movement recommendations were a key part of the report. Reserve movements referred to

replenishing funds within a reserve heading to be used subject to the normal processes of delegation, authority to spend and procurement. The report provided a detailed list within paragraph 5 as to what each reserve covered. The Climate Change Reserve, as an example, was a request to put monies aside to fund the declared emergency the Council has placed in respect of 30% reduction by 2030. Where the monies were to be spent would be subject to policies and frameworks established by the Financial Conduct Authority. The recommendations within the report had been taken with due care and diligence to enable the Council to carry out its statutory obligations. The Chief Finance Officer informed Members that the £500,000 allocated to the Pay Award Reserve was to support funds already put aside.

The Deputy Leader confirmed that whether small financial spends were taken to Overview and Scrutiny Committees for decision was determined by the financial regulations and it was appropriate that Officers make decisions as defined within the Scheme of Delegation and the Financial Procedure Rules. The Property Maintenance Reserve was essential to assist in the maintenance of the Council's properties as there was a need to be prepared for unexpected expenditure. The Deputy Leader continued that it was important that the ICT Reserve was replenished to keep IT equipment up to date due to the constant threat of possible cyber-attacks. Future Climate Change initiatives would include the promotion of behavioural change across the district such as sustainable transport, composting and household recycling and embedding climate change resilience into future property projects.

The Leader of the Council added that it was the remit of any Committee to scrutinise anything within its subject area that it wished and the Leader would encourage this to happen.

It was confirmed that at the Environment Overview and Scrutiny Committee of 11 July 2023, the work programme was discussed and it was agreed that the climate change action plan, supplementary to the Climate Change Strategy had been added. This was expected to contain ideas, proposals and business cases for validating the spend against that Reserve.

The Cabinet Member for Housing and Planning informed the Committee that there was no reduction in ambition with Climate Change, however, the administration was relatively new and required time to make progress. In reference to the Housing Maintenance Programme, the Cabinet Member confirmed that the Council's housing stock of 6,000 made South Kesteven the largest Local Authority Housing provider in the East Midlands. The maintenance carried out on the housing stock had not been as robust as perhaps desired in recent years. Almost 1 in 2 void properties were found to be in need of major works such as new bathrooms or electrical rewiring and this was quite a challenge to reduce while raising the standard of the homes provided. The Council's residents deserved a good standard of housing and it made sound economic sense to protect those assets.

The Chief Finance Officer highlighted that the Committee was able to approve the movement of reserves, and that there were other processes in place to scrutinise

individual spends that utilised funding from these reserves – moving reserves was not an authority to spend that money. The Chief Finance Officer had given his professional opinion to identify where spend pressures would arise over the next 12 months, and which reserves could alleviate these pressures. For example, the Climate Change Reserve had increased but the funding for this had largely come from the Business Rate Volatility Reserve, which now had no need to exist as it was set up to alleviate the pressures on Business Rates created by Covid-19.

It was proposed, seconded **and AGREED, following a Chairman’s casting vote that the:**

Governance & Audit Committee:

- 1. Reviewed and approved the provisional Revenue and Capital Outturn position and associated appendices for the financial year 2022/23.**
- 2. Noted the budget carry forwards (appendices D and H).**
- 3. Reviewed and approved the following reserve movements in respect of the General Fund:**
 - a) £1.5m of the Business Rates Volatility reserve to be transferred to the:**
 - ICT Reserve increase by £0.150m**
 - Property Maintenance Reserve increase by £0.400m**
 - Invest To Save Reserve increase by £0.150m**
 - Climate Change Reserve increase by £0.300m**
 - Creation of a Pay Award Reserve of £0.500m**
 - b) The balance of the Inflation Reserve of £0.500m to be transferred to the:**
 - Budget Stabilisation reserve increase by £0.250m**
 - Street Scene reserve increase by £0.250m**

23. 2021/22 and 2022/23 Statement of Accounts Update

The report was presented by the Assistant Director of Finance.

The draft 2021/22 Statement of Accounts were reviewed by the Governance and Audit Committee on 20 July 2022 and subsequently published on 29 July 2022. Updated Statement of Accounts were presented to the Governance and Audit Committee on 30 November 2022 which reflected the changes that had been identified by the Finance Team and those agreed with the external auditors, Grant Thornton. In accordance with the Accounts and Audit (Amendment) Regulations 2022, the target date for completing the 2021/22 audit and publishing the final accounts was 30 November 2022 which the Council did not meet due to delays beyond its control.

Since the last update to the Governance & Committee in November 2022, significant progress had been made with the external auditing of the accounts. With respect to Property, Plant and Equipment (PPE) external audit had requested additional information from the Council and the external valuers to enable them to audit the property valuations included in the accounts. This information had now been provided to the audit team in order for them to finalise the audit of this important area of the Council's accounts.

Following the completion of the triennial review of the pension fund in 2022/23 external audit requested an updated 2021/22 IAS 19 Pension Valuation Report to enable them to establish whether the review has had a material impact on the pension information included in the accounts. This information has been provided to the audit team for review. The Assistant Director of Finance informed Members the Finance Team were confident in having the accounts signed off by mid-August 2023. In respect of the 2022/23 accounts, a notice of the delay was published on the Council's website.

Draft 2022/23 accounts would be brought before the Governance and Audit Committee in September 2023, however Grant Thornton Auditors have indicated they were unlikely to meet the deadline of 30 September 2023. An update was to be provided at Committee at a future meeting.

The following points were raised in discussion:

- Members were concerned about the unfortunate delay by external auditors in signing off the 2021-2022 Statement of Accounts and the impact on the 2022-2023 accounts.

The Deputy Leader acknowledged the concerns and confirmed that the shortage in supply of external auditors was a nationwide issue which was beyond the control of the Council.

The Assistant Director of Finance informed Members that KPMG had returned to the external audit market for Local Government which enables more audit firms to be for local government work. Conversations were taking place with Grant Thornton Auditors and KPMG to ensure a smooth handover and establish when the audit would be completed. Any changes on the value of assets would impact both the balance sheet and the income and expenditure statements for 2021-2022. However, these would be 'reversed out' as they were accounting adjustments, not actual monetary adjustments. On the 2022-2023 accounts, the Council had been able to process all year-end adjustments, except for depreciation and the revaluation, gains and losses associated with land and buildings. It was expected, therefore, that the depreciation cost would increase against service areas.

The Chief Finance Officer confirmed that only 35% of councils have had their 2021-2022 accounts signed off.

It was proposed, seconded and **AGREED that the Governance and Audit Committee:**

- a) **Noted the progress of the audit of the 2021/22 Statement of Accounts**
- b) **Delegated authority to the Chief Finance Officer to make any final wording changes and accounting adjustments to the 2021/22 Statement of Accounts following the conclusion of any outstanding audit queries.**
- c) **Delegated approval of the audited 2021/22 Statement of Accounts and the Letter of Representation to the Chairman on behalf of the Governance and Audit Committee in consultation with the Chief Finance Officer following the completion of the audit.**

24. 2023/24 Quarter 1 Treasury Management Activity

The Deputy Leader introduced the report, pointing out the position of the global economy and the difficulties faced in finances. There was a balance required between investing funds and utilising funds on public services to benefit the district's residents.

Treasury Management was the term used to cover the Council's borrowing and investment strategies. In line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management the Council had adopted a treasury management policy statement that required regular reports on treasury and debt management operations during the financial year. Additionally, under part 1 of the Local Government Act 2003, the Council was required to have regard to the Prudential Code for capital finance including the setting of Prudential Indicators. Relevant treasury management indicators were incorporated into the Treasury Management Strategy 2023/24 approved by Council on 1 March 2023.

This report provided a review of treasury management for the period ended 30 June 2023 and reviewed current developments. The following elements were covered by the report:

- A review of debt management operations
- A review of investment operations
- An update on the treasury management Prudential Code Indicators

No additional borrowing was required during the first quarter of 2023/24. All current Council borrowing was with the Public Works Loan Board (PWLB) and the average rate of interest paid on the debt portfolio was 2.47%.

As at 30 June 2023, the Council had short-term borrowing, which was defined as borrowing due to be repaid within 365 days, of £3.221m. This would be repaid in instalments of £1.611m on 28 September 2023 and 28 March 2024. The average annual rate of interest on these loan repayments was 3.03%.

The average size of the investment portfolio for the 3-month period was £68.611m compared to an average portfolio size of £90.996m during the same period in 2022/23. The decrease in the portfolio was due to the repayment of COVID-19 business grants following the reconciliation of the schemes and the payment of the Council Tax Rebate grant to eligible households during 2022/23.

As at 30 June 2023 the Council held short term investments of £77.891m (specified investments) and £3m (non-specified investments). The Treasury Management Strategy stipulated that the Council should not ordinarily hold more than 35% of investments as non-specified and this was adhered to during the first quarter of 2023/24.

In the period ended 30 June 2023, £34.0m of short-term fixed deposits were placed; £25.0m of investments matured within this same period. In the period ended 30 June 2023, there were no long-term fixed deposits placed and no long-term fixed deposits matured.

Prudential Code indicators for 2023/24, 2024/25 and 2025/26 were approved by Council on 1 March 2023 as part of the Treasury Management Strategy 2023/24.

Members raised the following points during discussion:

- What mitigation was available to the Council to counteract the reduction in value of investments due to high inflation?
- A Member thanked the Officers for their work in unenviable circumstances and acknowledged that the effort must continue to save money and reduce ongoing costs.

The Assistant Director of Finance informed Members that when investments were placed, the best rates available were secured whilst ensuring we meet our cashflow requirements. Investments were placed in accordance with advice provided by Council advisors Link Group and meet the security, liquidity and yield requirement. Interest rates were no better if secured over a longer term. Forecast interest rate information provided by our advisors is also considered when making decisions regarding the duration of investments.

It was proposed, seconded, and **AGREED that the Committee noted and approved the content of the Quarter 1 review of treasury management activity for 2023/24.**

25. Work Programme 2023 - 2024

The Committee noted the Work Programme 2023 – 2024.

The Assistant Director of Finance had confirmed that the Statement of Accounts update would be scheduled for the September Committee and the Democratic

Services Manager informed Members that this was to be added to the Work Programme.

It was confirmed that the questionnaire sent out to all members on the subject of Full Council meeting timings had also asked for views on the timing of all committee meetings.

The Chief Finance Officer, whilst acknowledging that the proposed agenda for September's meeting was lengthy, confirmed that some agenda items were annual reports and if it was the will of the Committee, those items could be deferred to the November meeting.

Following the meeting, it was agreed that the following items were to be deferred to the November meeting:

- Strategic Risk Register
- Risk Management Annual Report
- Risk Management Framework

ACTION:

Statement of Accounts update to be scheduled as an agenda item at the Governance and Audit Committee meeting on 26 September 2023.

- 26. Any other business, which the chairman, by reasons of special circumstances, decides is urgent.**

There were no other items of business.

- 27. Close of Meeting**

The Chairman closed the meeting at 16:00.

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Action Sheet

To provide members with an update on actions agreed at the 12 July 2023 meeting of the Governance and Audit Committee.

Min no.	Agenda Item	Action(s)	Assigned to	Comments/status	Deadline
25	Work Programme 2023-2024	Statement of Accounts update to be scheduled as an agenda item for the 26 September 2023 meeting	Democratic Services Officer	Work Programme amended as required. Report deferred to 29 November 2023.	AMENDED.

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South Kesteven District Council audit plan

Year ending 31 March 2023

September 2023

Contents



Your key Grant Thornton team members are:

Laurelin H Griffiths

Key Audit Partner

T 0121 232 5363

E laurelin.h.griffiths@uk.gt.com

Harkamal Vaid

Audit Manager

T 0115 697 9365

E harkamal.s.vaid@uk.gt.com

Kashif T Khattak

Audit In-Charge

T 0121 232 5304

E kashif.t.khattak@uk.gt.com

Section	Page	
Key matters	3	The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.
Introduction and headlines	5	
Significant risks identified	7	
Group audit scope and risk assessment	10	
Other matters	11	
Our approach to materiality	12	
IT Audit Strategy	14	
Value for Money Arrangements	15	
Audit logistics and team	16	
Audit fees	17	
Independence and non-audit services	20	
Communication of audit matters with those charged with governance	22	

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Key matters



National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In March 2023, we issued [About time?](#), which explored the reasons for delayed publication of audited local authority accounts. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

Key matters



Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the S151 Officer.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Governance & Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Governance & Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of South Kesteven District Council ('the Council') for those charged with governance.

Respective responsibilities

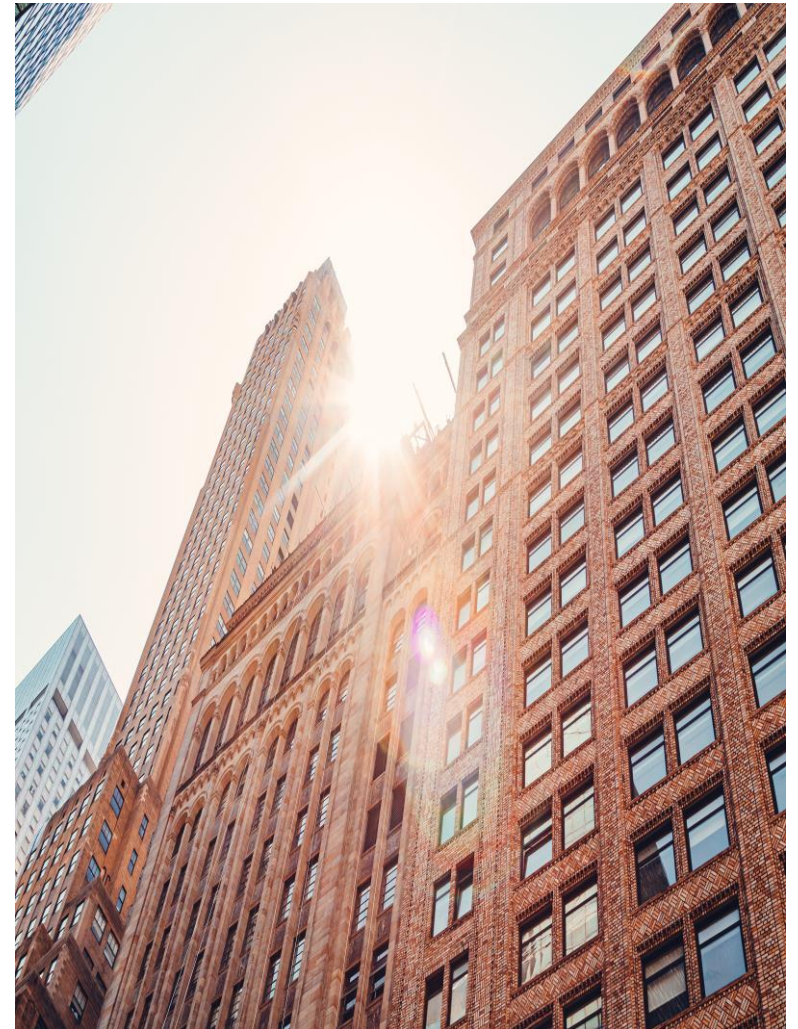
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of South Kesteven District Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Governance & Audit committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Governance & Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of land and buildings and investment properties
- Valuation of the net defined benefit pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

The Council is required to prepare group financial statements that consolidate the financial information of Gravitas Ltd and Leisure SK Ltd.

Materiality

We have determined planning materiality to be £1.575m (PY £1.25m) for the group and £1.45m (PY £1.19m) for the Council, which equates to approximately 2% of your gross expenditure for the year (1.9% for the council). We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £78.8k for the Group and £72.5k for the Council.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks We will continue to update our risk assessment until we issue our Auditor's Annual Report.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Audit logistics

Our interim visit took place in March and our final visit will take place from August to October. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £66,001 (PY: £99,500) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Fraudulent revenue and expenditure recognition (rebutted)	N/A	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concluded that there is no risk of material misstatement due to fraud relating to revenue recognition</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition • Opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including South Kesteven District Council mean that all forms of fraud are seen as unacceptable <p>Whilst not a presumed significant risk, we have had regard to Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure may well be greater than that of income.</p> <p>Having considered the risk of improper recognition of expenditure at South Kesteven District Council we are satisfied that this is not a significant risk for the same reasons set out above.</p>	<p>Notwithstanding that we have rebutted this risk, we will still undertake a significant level of work on the Council's revenue and expenditure streams, as they are material. We will:</p> <p><u>Accounting policies and systems</u></p> <ul style="list-style-type: none"> • Evaluate the Council's accounting policies for recognition of income and expenditure for its various income streams and compliance with the CIPFA Code • Update our understanding of the Council's business processes associated with accounting for income <p><u>Fees, charges and other service income</u></p> <ul style="list-style-type: none"> • Agree, on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence. <p><u>Taxation and non-specific grant income</u></p> <ul style="list-style-type: none"> • Income for national non-domestic rates and council tax is predictable and therefore we will conduct substantive analytical procedures • For other grants we will sample test items back to supporting information and subsequent receipt, considering accounting treatment where appropriate. <p><u>Expenditure</u></p> <ul style="list-style-type: none"> • Update our understanding of the Council's business processes associated with accounting for expenditure • Agree, on a sample basis, expenditure and year end creditors to invoices and cash payment or other supporting evidence <p>We will also design tests to address the risk that income and expenditure have been misstated by not being recognised in the correct financial year.</p>

Significant risks identified contd.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Land, Buildings and Investment Properties	Council	<p>The authority revaluates its land and buildings on a rolling five yearly basis and investment properties are valued annually. The valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings and investment properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the management's process and assumptions for the calculation of the estimates, the instructions issued to valuation experts and the scope of their work • Evaluate the competence, capabilities and objectivity of the valuation expert • Write to the valuer to confirm the basis on which the valuations were carried out to ensure that the requirements of the CIPFA code are met • Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • Test revaluations made during the year to see if they had been input correctly in the Authority's asset register and accounted for correctly • Evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end
Management over-ride of controls	Group and Council	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as significant risk, which was one of the most significant assessed risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the design effectiveness of management controls over journals • Analyse the journals listing and determine the criteria for selecting high risk unusual journals • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness corroboration • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regards to corroborative evidence • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions • Evaluate judgements and estimates made in the consolidation of the Group accounts.

Significant risks identified cont.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Council	<p>The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the inflation rates and life expectancy.</p> <p>We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Update our understanding of the process and controls in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • Assess the completeness of the information provided by the authority to the actuary to estimate the liability • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as the auditor's expert) and performing any additional procedures suggested within the report. • Obtain assurances from the auditors of Lincolnshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
South Kesteven District Council	Yes	Audit of the financial information of the component using component materiality	Risks set out on pages 7 to 9 of this report.	Full scope audit performed by Grant Thornton UK LLP
Gravitas Limited	No	Specified audit procedures relating to risks of material misstatement of the group financial statements	We have not yet received group financial statements for audit, and as such have not yet been able to confirm our audit approach for this component.	We anticipate that specific procedures may be required on a small number of balances, which will be completed by Grant Thornton UK LLP
Leisure SK Limited	No	Specified audit procedures relating to risks of material misstatement of the group financial statements	We have not yet received group financial statements for audit, but through our risk assessment to date we have not identified any significant risks of material misstatement of the group financial statements. Both income and expenditure are expected to be material to the group.	Specific scope procedures on income and expenditure have been requested of the component auditor, Duncan & Toplis Limited.

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Our approach to materiality

Description

Planned audit procedures

Determination

We have determined financial statement materiality based on a proportion of the gross expenditure of each of the Council and group for the financial year. Materiality at the planning stage of our audit is £1,575k for the group and £1,450k for the Council, which equates to approximately 2% and 1.9% of gross expenditure respectively.

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements
- assist in establishing the scope of our audit engagement and audit tests
- determine sample sizes and
- assist in evaluating the effect of known and likely misstatements in the financial statements

Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements.

An item may be considered to be material by nature where it may affect instances when greater precision is required.

We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £15k.

Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Other communications relating to materiality we will report to the Governance & Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Governance & Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

We report to the Governance & Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £72.5k. For the group, we have determined this threshold to be £78.8k.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance & Audit Committee to assist it in fulfilling its governance responsibilities.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Council Amount	Group Amount	Qualitative factors considered
Materiality for the financial statements	£1,450k	£1,575k	Approximately 1.9% and 2.0% of gross expenditure respectively
Performance materiality	£1,000k	£1,100k	Our planning work has not identified any significant deficiencies in internal control to date
Trivial matters	£72.5k	£78.8k	Taken as a proportion of the materiality threshold, we consider that any matters below this threshold would be clearly inconsequential, taken individually or in aggregate
Materiality for specific transactions, balances or disclosures	Senior Officers £15k	n/a	This is considered to be an area of specific interest to users of the financial statements and includes sensitive balances



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 17.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
E-financials	Financial reporting	Streamlined ITGC design assessment
Northgate	Council Tax, Business Rates, Benefits	To be confirmed

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

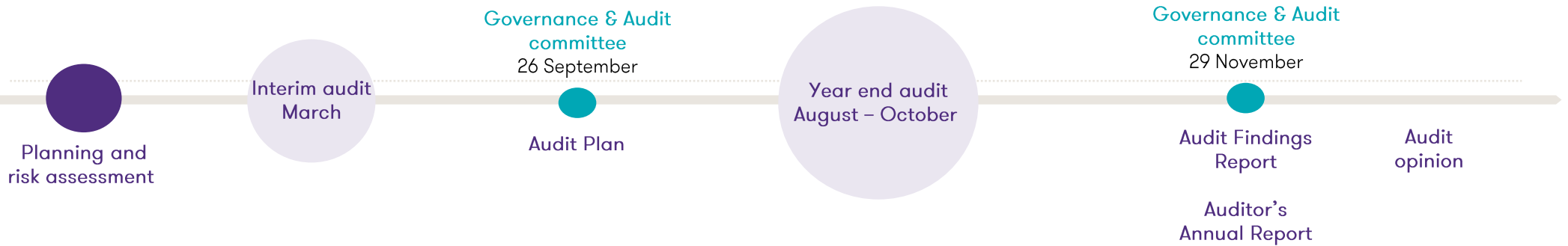


Governance

How the body ensures that it makes informed decisions and properly manages its risks.

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

Audit logistics and team



Laurelin Griffiths, Key Audit Partner



Laurelin's role will be to: Be the key contact for Chief Executive, S151 officer and the Governance & Audit Committee. Ensure that Grant Thornton's full service offering is at your disposal; and Take overall responsibility for the delivery of high quality audit, meeting the highest professional standards and adding value to the council.

Harkamal Vaid, Audit Manager



Hark's role will be to: Manage the delivery of high quality audit, meeting the highest professional standards and adding value to the council Review work performed by the audit team to ensure high audit quality.

Kashif T Khattak, Audit Incharge

Kashif's role will be to take responsibility as the day to day contact for the Council Finance Staff and running of the audit. Ensure effective communication and understanding by the Finance team of audit requirements.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Annual Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2018, PSAA awarded a contract of audit for South Kesteven District Council to begin with effect from 2018/19. The fee agreed in the contract was £36,400. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISAs which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £3,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf and has been agreed with the Director of Finance.

Audit fees

	Actual Fee 2020/21	Estimated Fee 2021/22	Proposed fee 2022/23
South Kesteven District Council Audit	£65,400	£99,500	£66,001
Total audit fees (excluding VAT)	£65,400	£99,500	£66,001

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Scale fee published by PSAA for 2022/23	£47,651
<i>Ongoing issues from 2020/21 not included in the scale fee</i>	
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs 540 / 240 / 700	£2,100
Enhanced audit procedures on journals testing	£3,000
<i>New issues for 2022/23</i>	
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund- reliefs testing	£750
Increased audit requirements of revised ISA 315	£3,000
Total proposed audit fees 2022/23 (excluding VAT)	£66,001

35

All variations to the scale fee will need to be approved by PSAA

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees	Threats	Safeguards
Audit related			
Certification of Housing Benefit (Subsidy) Assurance Process 2021/22	£12,000	Self-Interest (because this is a recurring fee) Self-Review (because GT provides audit services)	The level of these recurring fees taken on their own are not considered a significant in comparison to the total fee for the audit of £66,001 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, each is a fixed fee and there is no contingent element to any of them. These factors all mitigate the perceived self-interest threat to an acceptable level. Our team have no involvement in the preparation of the for which is certified, and do not expect material misstatements in the financial statements to arise from the performance of the certification work. Although related income and expenditure is included within the financial statements, the work required in respect of certification is separate from the work required to audit the financial statements, and is performed after the audit of the financial statements has been completed.
Pooling of Capital Receipts 2021/22	£6,000	Management (because findings are shared with management)	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. Our team perform these engagements in line with set instructions and reporting frameworks. Any amendments made as a result of our work are the responsibility of informed management

There were no non-audit related services.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•		ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•		
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•	
Significant matters in relation to going concern	•	•	We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•	
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		•	Respective responsibilities
Significant findings from the audit		•	As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.
Significant matters and issue arising during the audit and written representations that have been sought		•	
Significant difficulties encountered during the audit		•	The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
Significant deficiencies in internal control identified during the audit		•	
Significant matters arising in connection with related parties		•	
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•	
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	
Expected modifications to the auditor's report, or emphasis of matter		•	



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SOUTH
KESTEVEN
DISTRICT
COUNCIL

Internal Audit Progress Report – September 2023

The Head of Internal Audit is required to provide a written status report to Senior Management and Members, summarising internal audit activity.

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Table of contents

Role of Internal Audit	3
The purpose of the document.....	4
Performance dashboard.....	5
Update on Internal Audit Activity.....	6
Analysis of 'live' audit reviews	8
Executive summaries	10
Planning and resourcing	14
Work programme	14
 Appendices:	
Appendix 1 – Overdue high priority actions	17
Appendix 2 – Overdue medium/low priority actions.....	18
Appendix 3 – Debtors Final Report	24

Role of Internal Audit

The requirement for an internal audit function in local governance is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.’

The standards for ‘proper practices’; are laid down in the Public Sector Internal Audit Standards [the Standards -updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes’.

South Kesteven District Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the District Council that these arrangements are in place and operating effectively.

South Kesteven District Council’s response to internal audit activity should lead to the strengthening of the control environment and,

therefore, contribute to the achievement of the organisation’s objectives.

The Purpose of the Report

In accordance with the proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter, the Head of Internal Audit is required to provide a written status report to Senior Management and Members summarising:

- the status of live internal audit reports.
- an update on progress against the internal audit plan.
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact of the Head of Internal Audits annual opinion.

From June 2023, internal audit reviews culminate in a revised opinion rating on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial A reliable system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Adequate There is a generally reliable system of governance, risk management and control in place. Some issues of non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited

Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No

Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks in the achievement of the objectives for the area audited.

This is a change to the assurance categorisation used during 2022/2023.

The revised ratings align with terminology widely used across the public sector. They also provide less subjective definitions and improve understanding for areas of non-compliance or in monitoring the work required for any fundamental deficiency identified.

Performance Dashboard

Figure 1

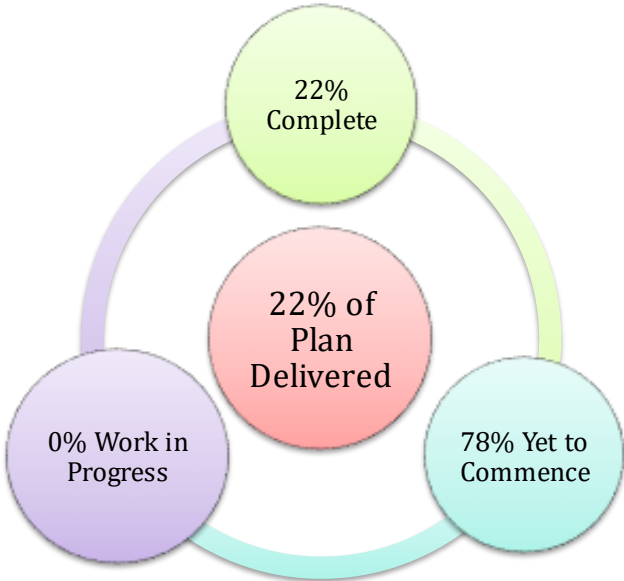
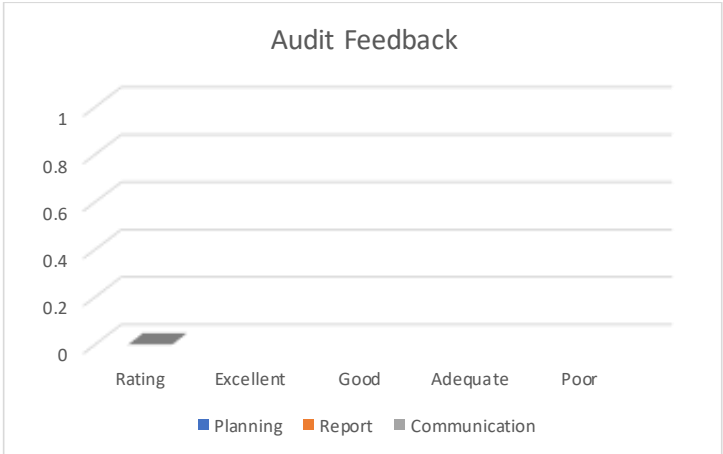


Figure 1 shows the completion of the internal audit plan to date. The team has been introduced to individually planning audit reviews to support timely delivery and reporting. Line managers are involved in the oversight of delivery plans for each audit and responsible for delivery on milestone agreed during the planning stage. The audit managers are responsible for the effective and timely delivery of their audit plans across the service.

Figure 2 shows the feedback received from South Kesteven Officers for work completed. There is an expectation that all clients will provide feedback on their audit experience with the team. The results of audit feedback will be used by managers in developing team and individual improvements as well as to inform training requirements and quality learning across the entire audit team. As no work for the 2023/24 Internal Audit Plan has been delivered, there is no feedback to share with the Committee.

We have requested feedback from the 22/23 finance audits, delivered since our last progress report but none has been received.

Figure 2



Update on Internal Audit Activity

There have been concerns raised with South Kesteven District Council about the conduct of officers involved in overseeing internal audit delivery, which had been escalated to the Head of Paid Service. During the internal audit work conducted to provide assurance on whistleblowing delivery, activity constituting a material breach of the Internal Audit Charter took place. This resulted in the termination of the contract for internal audit services with South Kesteven District Council. The contract for internal audit services will expire on 27 September 2023.

Since the last progress report, two reviews have been finalised, outstanding from 2022/23. These are for the accounts payable/creditors and accounts receivable/debtors assignments. An additional audit was completed outside the 2023/24 Internal Audit Plan looking at whistleblowing practices.

The debtors and whistleblowing reviews both received a no assurance opinion. The full debtors report is attached as Appendix 3.

None of the audits in the 23/24 internal audit plan have been scheduled for delivery or had engagement with developing the scope.

We regularly report on whether agreed management actions from audits have been implemented by the agreed implementation date. For the September Committee responses were received but we did

not receive a response to a follow-up request for clarification and update on the actions within the debtors' report. The overdue actions have been updated to reflect the limited response received with 19 being overdue, 11 of which are high priority. Further details are included in the following pages of this report.

The report is not able to provide any further information on audit recommendations agreed with the previous Internal Audit provider, as our requests for access to the system have not been responded to. Internal Audit recommends that the Committee should take steps to gain assurance that controls have been strengthened as a result of the internal audit work undertaken.

Since the commencement of 2023/24, internal audit has not had any liaison meetings with the Council's Section 151 Officer. Our requests for setting up regular liaison meetings have not resulted in arranging the required meetings. This represents a fundamental barrier to having an effective internal audit service and in creating a working relationship to support effective governance, risk management and internal control assurance.

Analysis of Audit Reviews

The table below shows the audits completed since April 2023 along with details of the position of (actions) as at 31 August 2023.

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Actions	Not Accepted	Not Yet Due*	Completed	Overdue			
								High	Medium	Low	Critical
Key Control Testing - Capital	Aug-23	Chief Finance Officer (s151 officer) & Deputy Chief Executive	Substantial** Adequate	4	0	1	2	0	1	0	0
Key Control Testing - Accounts Receivable / Debtors	Aug-23	Chief Finance Officer (s151 officer) & Deputy Chief Executive	Low** No	17	0	1	0	11	5	0	0
Key Control Testing - Accounts Payable / Creditors	Aug-23	Chief Finance Officer (s151 officer) & Deputy Chief Executive	Substantial** Adequate	1	0	0	0	0	1	0	0
Whistle Blowing	Aug-23	Chair of the A&G Committee & Chief Executive	No	17	0	17	0	0	0	0	0
TOTAL				39	0	19	2	11	7	0	0
* This includes the actions which have extended their original due date.											
** Previous Assurance rating											
Overdue Management Actions - Direction of Travel since previous Progress Report								11	7	0	0
Previous report								0	0	0	0

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The table below shows the actions remaining to be implemented from reports issued prior to April 2023:-

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Actions	Not Accepted	Not Yet Due*	Completed	Overdue			
								High	Medium		
Risk Management	Sep-22	Chief Finance Officer (s151 officer) & Deputy Chief Executive	Substantial	2	0	1	1	0	0		
Cyber Security	Nov-22	Chief Finance Officer (s151 officer) & Deputy Chief Executive	Substantial	18	0	3	15	0	0		
Health and Safety	Mar-23	Director and Housing and Property	Substantial	9	0	2	6	0	1		
Housing Void Management	Mar-23	Director and Housing and Property	Limited	8	0	4	4	0	0		
TOTAL				37	0	10	26	0	1		
* This includes the actions which have extended their original due date.											
Overdue Management Actions - Direction of Travel since previous Progress Report								-	1	-	4

Executive Summaries of ‘Limited’ or ‘No’ Assurance Opinions

The table below provides a summary of the limited or no assurance reports published since the last progress report. It also contains any management updates and progress made since the report was issued.

Audit Review Title: Key Controls – Accounts Receivable/Debtors					
Audit Sponsor	Assurance Opinion/ Equivalent	Management Actions			
Chief Finance Officer (S151 Officer) & Deputy Chief Executive	Low / No	Low 0	Medium 5	High 12	Critical 0
Summary of Key Observations:					
<p>The review was undertaken as part of our routine audits of financial controls. We found significant issues with the oversight and monitoring, reporting arrangements, compliance with Financial Regulations, adherence to policy and roles and responsibilities. Specific areas include: -</p> <ul style="list-style-type: none"> • There is no internal policy or protocol for the management of sundry debts which sets out the expected standards of service and defines the responsibilities of the debt raising services and the Sundry Debtors Team. • Segregation of duties is a key principle of internal control but is severely limited within the finance system. Transactions such as raising invoices, credit notes and write offs are undertaken in the debtor’s system by one officer without the intervention of another. A new finance system is due to be implemented in April 2024. • There is an overall lack of transparency and oversight around credit notes raised. There is no formal approval process for credit notes, nor any independent checking, close monitoring or analysis for accuracy, legitimacy or compliance with the Financial Regulations. • No further action is routinely taken to collect or recover outstanding debts following the issue of reminder letters by the Sundry Debtors team. • No approved debts for write off between £50-£2000 were countersigned by an Assistant Director, as stipulated in the Financial Regulations. • The process for bad debts write offs has not been working effectively with £2.99 of bad debts written off since April 2022. 					

49

- There is no clear ownership or oversight of the customer master data, nor any robust controls in place to ensure its integrity such as the independent approval, checking or monitoring of new customers or amendments.
- The bank details used in the processing of refunds are not confirmed with the customer immediately prior to processing. In addition, there is no system reporting and monitoring of refunds processed or investigation of customer balances in credit.

The final report was issued to the CFO in July 2023, the full report is attached as Appendix 3.

Audit Review Title: Whistleblowing Incident					
Audit Sponsor	Assurance Opinion/ Equivalent	Management Actions			
Chair of the G&A Committee	Low / No	Low 1	Medium 5	High 10	Critical 1
Summary of Key Observations:					
<p>The review has highlighted a significant number of high-risk areas that are not compliant with the required effective and transparent delivery around a whistleblowing investigation. The review found minimal evidence to support the outcome communicated to the Chair of the Governance & Audit Committee. The investigation presented as inadequate with minimal record keeping, structure, transparency and objectivity. There was no evidence of sufficiency checks or quality assurance processes being deployed. Statements made during the initial investigation could not be substantiated through the audit work and it was not possible to determine the content and content volume of the barrels sold. The full extent of following Health and Safety protocols could not be ascertained, and the timing and content of internal reporting was redacted from the evidence returned to the review. As a result of the restrictions placed upon the audit in determining actions, along with the unrecognised and inadequate investigation, a no assurance rating has been awarded.</p>					

Executive Summaries of ‘Substantial’ or ‘Adequate’ Assurance Opinions

The table below provides a summary of the substantial or adequate assurance reports published since the last progress report.

Audit Review Title: Key Controls – Capital Programme Monitoring					
Audit Sponsor	Assurance Opinion/ Equivalent	Management Actions			
Chief Finance Officer (s151 officer) & Deputy Chief Executive	Substantial/ Adequate	Low 0	Medium 3	High 1	Critical 0
Summary of Key Observations:					
<p>The review was undertaken as part of our planned audits of financial controls. There is a proactive accounting Team in place with a wealth of experience who regularly engaged with budget holders. There are also policies in place on Capital Programme management which include reporting and guidance on responsibilities. Clear processes are in place for the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee to scrutinise the financial update reports and specific projects.</p> <p>A number of recommendations were made to strengthen the processes in place, which included: -</p> <ul style="list-style-type: none"> Reviewing the fault with the reports produced by the system to ensure that the monthly statement is accurate and negates the need for detailed checks. This has now been rectified and monitoring is being undertaken to ensure the output remains accurate. The current process document did not fully reflect the actual processes in place and there were multiple versions in use. These have now been reviewed and version control implemented. Introduce a job code function within the finance system to reduce the manual process of allocating purchase orders to projects. Whilst this was not possible within the current system it is something which is an aspiration for the new system so should be in place in April 2024. 					

51

- Review the commentary provided within the Committee reports to ensure that it contains sufficient accurate detail. Management have agreed to update the commentary within the reports to ensure that they are transparent and informative for Members.

Audit Review Title: Key Controls – Accounts Payable/ Creditors					
Audit Sponsor	Assurance Opinion/ Equivalent	Management Actions			
Chief Finance Officer (s151 officer) & Deputy Chief Executive	Substantial/ Adequate	Low 0	Medium 1	High 0	Critical 0
<p>Summary of Key Observations:</p> <p>We reviewed a sample of invoices, supplier set ups and payment runs to confirm that controls were working as expected. Testing established in most cases controls were in place and operating as expected. Areas of good practice included adherence to financial procedures, monitoring and approval of payment runs. Our review of invoices found that they had been approved as expected, depending on their value in accordance with Financial Procedure rules. We were able to see on the E-financials system that budget managers had approved purchase orders where necessary and that invoices had been goods received.</p> <p>New suppliers testing confirmed that satisfactory details had been received to ensure the supplier was bona fide. This includes independent verification of new supplier details, ensuring new supplier forms are completed and that details are received on headed paper. Evidence was held in all cases to support the creation of the supplier.</p> <p>There was one area where we made a recommendation to help strengthen the controls,</p> <ul style="list-style-type: none"> • Processes within the Exchequer Team are revised to ensure that invoices are paid within the 30 days payment terms. • The number of days taken to pay suppliers should be monitored with a target set to ensure as many invoices as possible are paid within 30 days. 					

Planning and Resourcing

Quarter 1 work has mainly focused on completing the audits carried over from 2022/23 and the Combined Assurance work. We have also taken time to discuss the requirements of the Council, reviewing our processes and putting an action plan in place to address the points raised following our first year of providing the service.

Section 7 shares an update on the delivery programme for the Council audits. This includes audit assignments from 2022/23 and 2023/2024. The report holds a maximum of two years of internal audit work to allow the progress and delivery to be monitored. As there has been a change to the assurance ratings applied to assurance work from 2023/2024, the equivalent updated rating has been included in blue for clarity.

Work Plan

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion / Equivalent
ASSURANCE WORK 2022/2023							
Key Control Testing - Capital	Chief Finance Officer (s151 officer) & Deputy Chief Executive	✓	✓	✓	22/05/23	29/06/23	Substantial/Adequate
Key Control Testing – Accounts Receivable/Debtors	Chief Finance Officer (s151 officer) & Deputy Chief Executive	✓	✓	✓	19/05/23	19/07/23	Low/No
Key Control Testing – Accounts Payable / Creditors	Chief Finance Officer (s151 officer) & Deputy Chief Executive	✓	✓	✓	01/06/23	14/08/23	Substantial/Adequate

53

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion or Equivalent
ASSURANCE WORK 2023/2024							
Additional Work - Whistle Blowing Audit	Chief Executive, Chair of the Audit Committee	✓	✓	✓	✓	✓	No
Management Time	Chief Finance Officer (s151 officer) & Deputy Chief Executive & Chief Executive	✓	✓	✓	✓	N/A	Not Applicable
Payroll	Chief Finance Officer (s151 officer) & Deputy Chief Executive						
Asset Management	Chief Finance Officer (s151 officer) & Deputy Chief Executive						
Recruitment and Retention	Chief Executive						
Housing and Income Management	Director of Housing and Property						
S106	Director of Growth and Culture						
Operations	Chief Finance Officer (s151 officer) & Deputy Chief Executive						

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion or Equivalent
Public Protection	Chief Finance Officer (s151 officer) & Deputy Chief Executive						
Risk Management	Chief Finance Officer (s151 officer) & Deputy Chief Executive						
Follow-Ups	CMT						
Combined Assurance	CMT						
Cyber Security	Chief Finance Officer (s151 officer) & Deputy Chief Executive						
Key Control Testing – Areas to be confirmed	Chief Finance Officer (s151 officer) & Deputy Chief Executive						

Appendix 1

Overdue High priority actions

Audit Review	Audit Sponsor	Agreed Action	Owner	Original Due Date	Current Due Date	Comments
SKDC 2022/23 Key Control Testing Accounts Receivable / Debtors	Chief Finance Officer (s151 officer) & Deputy Chief Executive	A document to be produced to clearly show responsibilities; each service area, requester, authoriser, and authorisation limits.	Income Recovery Team Leader	19/06/2023	19/06/2023	Response not received
SKDC 2022/23 Key Control Testing Accounts Receivable / Debtors	Chief Finance Officer (s151 officer) & Deputy Chief Executive	Monthly reports to be included as additional information for budget monitoring meetings to show the number and value of customers set up, invoices & credit notes raised and write offs actioned.	Income Recovery Team Leader	01/08/2023	01/08/2023	Response not received
SKDC 2022/23 Key Control Testing Accounts Receivable / Debtors	Chief Finance Officer (s151 officer) & Deputy Chief Executive	Income Recovery Team Leader to review activities; identification of trends / patterns within a material threshold limit.	Income Recovery Team Leader	01/08/2023	01/08/2023	Response not received

Audit Review	Audit Sponsor	Agreed Action	Owner	Original Due Date	Current Due Date	Comments
SKDC 2022/23 Key Control Testing Accounts Receivable / Debtors	Chief Finance Officer (s151 officer) & Deputy Chief Executive	Monthly reports to be included as additional information to the budget holder to show number and value of credit notes raised.	Income Recovery Team Leader	01/08/2023	01/08/2023	Response not received
SKDC 2022/23 Key Control Testing Accounts Receivable / Debtors	Chief Finance Officer (s151 officer) & Deputy Chief Executive	Spreadsheet to be completed by the Sundry Debt Officer providing reason for credit note being raised, service area and requesting officer; identification of trends / patterns within a material threshold limit.	Sundry Debt Officer	01/08/2023	01/08/2023	Response not received
SKDC 2022/23 Key Control Testing Accounts Receivable / Debtors	Chief Finance Officer (s151 officer) & Deputy Chief Executive	Review the level of service provided by the external agency and will consider any changes to improve collection of aged debts.	Head of Revenues, Benefits and Customer Service	01/08/2023	01/08/2023	Response not received
SKDC 2022/23 Key Control Testing Accounts Receivable / Debtors	Chief Finance Officer (s151 officer) & Deputy Chief Executive	Additional information could be provided in the form of monthly reports to the budget holder to show number and value of aged debts.	Income Recovery Team Leader	01/08/2023	01/08/2023	Response not received

Audit Review	Audit Sponsor	Agreed Action	Owner	Original Due Date	Current Due Date	Comments
SKDC 2022/23 Key Control Testing Accounts Receivable / Debtors	Chief Finance Officer (s151 officer) & Deputy Chief Executive	The Sundry Debt Officer will provide details of aged debt to the originating service area; relevant action to be taken by the service area.	Sundry Debt Officer	01/08/2023	01/08/2023	Response not received
SKDC 2022/23 Key Control Testing Accounts Receivable / Debtors	Chief Finance Officer (s151 officer) & Deputy Chief Executive	A document will be produced to clearly show responsibilities; each service area, requester, authoriser, and authorisation limits. This will be produced in conjunction with the preparation for the introduction of Unit 4 in April 2024 as part of the project.	Income Recovery Team Leader	01/08/2023	01/08/2023	Response not received
SKDC 2022/23 Key Control Testing Accounts Receivable / Debtors	Chief Finance Officer (s151 officer) & Deputy Chief Executive	Reference tab linked to the financial regulations showing authorisers and their limits for each service area.	Income Recovery Team Leader	01/08/2023	01/08/2023	Response not received
SKDC 2022/23 Key Control Testing Accounts Receivable / Debtors	Chief Finance Officer (s151 officer) & Deputy Chief Executive	Additional information could be provided in the form of monthly reports to the budget holder to show number and value of write offs.	Income Recovery Team Leader	01/08/2023	01/08/2023	Response not received

Appendix 2

Overdue Medium and Low priority actions

Audit Review	Audit Sponsor	Priority	Agreed Action	Owner	Original Due Date	Current Due Date	Comments
2022/23 Key Control Testing - Capital	Chief Finance Officer (s151 officer) & Deputy Chief Executive	Medium	Review the commentary reported, so although condensed, provides sufficient accurate detail.	Assistant Director of Finance	31/08/23	31/08/23	Aug 2023 - In the absence of a Q1 report to members the comments for P4 have been aligned to the most recent CMT report comments. Currently working closely with budget holders to improve the quality of monitoring comments.
2022/23 Health and Safety	Director of Housing and Property	Medium	Service areas will complete and retain a risk assessment log and provide to Corporate H&S for oversight	Health and Safety Manager	30/06/23	30/06/23	Aug 23 - This is ongoing business with all areas aided by the Corporate H&S officers to complete. As a result of the newly formed H&S working group work is ongoing to standardise the recording and management of risk assessments.

Audit Review	Audit Sponsor	Priority	Agreed Action	Owner	Original Due Date	Current Due Date	Comments
2022/23 Key Control Testing Accounts Receivable / Debtors	Chief Finance Officer (s151 officer) & Deputy Chief Executive	Medium	Additional information could be provided in the form of monthly reports to the budget holder to show number and value of write offs.	Income Recovery Team Leader	01/08/2023	01/08/2023	Response not received
2022/23 Key Control Testing Accounts Receivable / Debtors	Chief Finance Officer (s151 officer) & Deputy Chief Executive	Medium	Income Recovery Team Leader to review activities; identification of trends / patterns within a material threshold limit	Income Recovery Team Leader	01/08/2023	01/08/2023	Response not received
2022/23 Key Control Testing Accounts Receivable / Debtors	Chief Finance Officer (s151 officer) & Deputy Chief Executive	Medium	Name and job title of officers to also be included on the ATR	Sundry Debt Officer	01/08/2023	01/08/2023	Response not received
2022/23 Key Control Testing Accounts Receivable / Debtors	Chief Finance Officer (s151 officer) & Deputy Chief Executive	Medium	Clear line of authorisation to show officer/team leader, team leader/manager, manager/head of service etc	Sundry Debt Officer	01/08/2023	01/08/2023	Response not received

Audit Review	Audit Sponsor	Priority	Agreed Action	Owner	Original Due Date	Current Due Date	Comments
2022/23 Key Control Testing Accounts Receivable / Debtors	Chief Finance Officer (s151 officer) & Deputy Chief Executive	Medium	Income Recovery Team Leader to review activities; identification of trends / patterns within a material threshold limit	Income Recovery Team Leader	01/08/2023	01/08/2023	Response not received
2022/23 Key Control Testing Accounts Payable / Creditors	Chief Finance Officer (s151 officer) & Deputy Chief Executive	Medium	Processes to be reviewed and updated to ensure undisputed invoices are paid within 30 day payment terms.	Assistant Director of Finance	31/08/2023	31/08/2023	Response not received

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SOUTH
KESTEVEN
DISTRICT
COUNCIL

Draft Internal Audit Report
Debtors Key Control Testing
Date: July 2023

What we do best...

Innovative assurance services

Specialists at internal audit

Comprehensive risk management

Experts in countering fraud

...and what sets us apart

Unrivalled best value to our customers

Existing strong regional public sector partnership

Auditors with the knowledge and expertise to get the job done

Already working extensively with the not-for-profit and third sector

The contacts at Assurance Lincolnshire with this review are:

Claire Goodenough
 Head of Internal Audit & Risk Management
Claire.Goodenough@lincolnshire.gov.uk

Amanda Stanislowski & Matt Waller
 Audit Managers
Amanda.Stanislowski@lincoln.gov.uk matthew.waller@lincolnshire.gov.uk

Stacey Richardson – Principal Auditor
stacey.richardson@lincolnshire.gov.uk

Louise Pocklington Senior Auditor
Louise.Pocklington@lincolnshire.gov.uk

Background and Scope	Page 1
Executive Summary Assurance Opinion and Key Messages	2
Management Response	8
Action Plan Findings, Recommendations and Agreed Actions	19
Advisory Points – Adding Value through Efficiencies Findings and advice	37
Appendices	
Appendix 1 – Assurance Definitions	39
Appendix 2 – Distribution List	41



Background and Context

Key control testing is undertaken on finance systems and processes to enable the Head of Internal Audit to form an opinion on the Council's financial control environment and to support External Audit's control evaluation. Key control testing has included sundry debtors.

The Council's Sundry Debtors team comprises a part time Sundry Debtors Officer who reports into the Income Recovery Team Leader. Whilst some service areas set up new customers, raise their own sales invoices and take action to pursue debts*, the majority of sundry debtors processes are undertaken by the Sundry Debtors Team. The Team's responsibilities include setting up new customers, raising sales invoices and credit notes, debt collection and recovery, checking cash postings and writing off bad debts.

£4.7m of sales invoices were raised between April 2022 and February 2023. As at the end of January 2023, aged sundry debts totalled £462K. The prompt and full collection of monies owed is vital to ensure the Council has the necessary cash flow to achieve its objectives.

* following the issue of reminder letters by the Sundry Debtors team

Scope

The purpose of this review was to provide independent assurance that the processes and controls in place for raising, collecting and recovering sundry debts are appropriate and robust. The review covered the following control objectives:

- Up to date, approved policies and procedures are in place which set out the Council's expectations around raising and recovering debts.
- New debtors and amendments to customer details are correctly processed and authorised.
- Invoices are promptly and accurately raised and approved.
- Refunds / Credit notes are only issued following appropriate authorisation, with reasons documented.
- Separation of duties exist between invoicing and income collection.
- Debt recovery action is pursued promptly and fully.
- Write offs are fully supported and authorised as per the Financial Regulations.
- Debt levels are regularly monitored and managed effectively.

The review excluded the following control objective due to the information not being received:

- System access is restricted to authorised users

Executive Summary



Low Assurance

Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore, the risk of the activity not achieving its objectives is high.

Risk	Rating (R-A-G)	Findings	
		High	Medium
Ineffective procedures or non-compliance with procedures hinder the Council's ability to collect debts in a timely and appropriate manner	High	1	0
Errors are not detected leading to incorrect or untimely collections.	High	2	2
Accounting records are inaccurate, resulting in ineffective decision making and lost income.	High	0	0
Outstanding debt is too high impacting financial performance, bad debts and cashflow.	High	2	1
Fraudulent activity is not detected, resulting in financial loss and reputational damage	High	1	0
TOTAL		6	3

Key Messages



Our assurance review identified several key areas where improvements are necessary to provide a robust control environment for managing sundry debts. Significant improvements are required around oversight and monitoring, reporting arrangements, compliance with Financial Regulations, adherence to policy and roles and responsibilities.

The 'low' assurance opinion reflects the significance and number of findings identified across sundry debtor processes, including gaps within the control framework for managing the key risks. In particular:

Policies

There is no internal policy or protocol for the management of sundry debts, which sets out the expected standards of service and defines the responsibilities of the debt raising services and the Sundry Debtors Team. The Council's external Fair Collection and Debt Recovery Policy is dated August 2021 and is currently under review.

Respective responsibilities and expected standards should be clearly documented to support the control framework for the management of sundry debts. This should ensure that there are no gaps in responsibilities and that a fair, lawful and consistent approach is applied to debt management.

Segregation of Duties

Segregation of duties is a key principle of internal control but is severely limited within the finance system in many of the key sundry debtor processes due to the small size of the Sundry Debtors team and limitations of the system. Transactions such as raising invoices, credit notes and write offs are undertaken in the debtors system by one officer without the intervention of another, exposing the Council to the risk of fraud and error. This risk is increased due to the limited monitoring controls. A

Key Messages



process should be developed for the reporting and monitoring of key risk areas identified throughout this report.

A new finance system is due to be implemented in April 2024. This should provide significant control improvements through system-embedded segregation of duties and removal of manual processes.

Credit Notes

There is an overall lack of transparency and oversight around credit notes raised. £826K of credit notes were raised between April 2022 and February 2023, representing 17.4% of invoiced amounts. There is no formal approval process for credit notes, nor any independent checking, close monitoring or analysis for accuracy, legitimacy or compliance with the Financial Regulations. Credit notes effectively represent lost income to the Council. Greater controls around the approval and monitoring of credit notes should reduce the risk of financial loss and improve transparency of the actual debt and write off position of the Council.

Collection and Recovery of Overdue Debts

No further action is routinely taken to collect or recover outstanding debts following the issue of reminder letters by the Sundry Debtors team. As at the end of January 2023, the total value of aged debt was £462K. With the exception of those service areas who pursue their overdue debts, reliance is placed on the Sundry Debtors Officer for the collection and recovery of debts. However, the Officer does not have the capacity to go through and chase up the outstanding debts, including the disputed invoices. Greater clarity and focus should be provided around debt collection and recovery responsibilities to reduce the risk of aged debt becoming irrecoverable.

Key Messages



Bad Debt Write Offs – Approvals

The approvals of the 2022/2023 debt write offs tested* were not always consistent with the Council's Financial Regulations. No approved debts for write off between £50-£2000 were countersigned by an Assistant Director, as stipulated in the Financial Regulations. The Financial Regulations are a key element of the Council's governance framework and so it is important that approval processes are aligned so that adequate authorisation is obtained for write offs and the risk of fraud or error is reduced.

** Our testing covered completed write offs as well as a sample of approved (but not yet processed) write offs*

Bad Debts Write Offs – Processing

The process for bad debts write offs has not been working effectively with £2.99 of bad debts written off since April 2022. As at January 2023, £317K of outstanding debt (67% of the total debt) was more than 90 days old. There is no reporting or monitoring of bad debt write offs for accuracy, legitimacy or correct authorisation. Old outstanding debts should be reviewed and those identified for write off should be processed in a timely manner. This is to ensure that the write off position is accurately reflected in the accounts and the debtors balance is not overstated. Introducing robust recovery processes will support the reduction in bad debt write offs.

Customer Masterdata

There is no clear ownership or oversight of the customer masterdata, nor any robust controls in place to ensure its integrity such as the independent approval, checking or monitoring of new customers or amendments. Complete and accurate customer records are essential to the timely billing and collection of income and as such ownership should be assigned and monitoring processes implemented.

Key Messages



Approval of New Customer Set Ups and New Sales Invoice Requests

Inconsistencies were identified around the approval of new customer set ups and sales invoice requests. Not all sales invoice requests (Authority to Request forms) were independently approved prior to processing, some approval signatories were typed in excel or were not recognised. Having appropriate independent authorisation is important in ensuring the accuracy of the customer masterdata and sales invoices.

Refunds

The bank details used in the processing of refunds are not confirmed with the customer immediately prior to processing, increasing the risk of the bank details used being incorrect or illegitimate. In addition, there is no system reporting and monitoring of refunds processed or investigation of customer balances in credit. A process should be established to monitor refunds paid and customer balances in credit to ensure that the refunds are legitimate and authorised, to identify any billing errors and to prevent the risk of fraud.

The following action plan seeks to strengthen the arrangements around sundry debtor processes and support the Council in managing its key risks.

We would like to thank all the staff involved in the audit for their time and support.

Executive Summary

Areas of Good Practice



- Sales invoices tested were promptly raised, in accordance with corporate payment terms and agreed to supporting documentation.
- Credit notes tested agreed to supporting documentation and were in accordance with the Council's Financial Regulations.
- Segregation of duties exists between the posting of income to the debtors system and invoicing.

Managing your risks



Good risk management, including maintaining risk registers, helps you to identify, understand and reduce the chance of risks having a negative impact on achievement of your objectives.

Consideration should be given to including these high risks within the service risk register and reviewing the impact of these on the fraud risk register.

We recommend that further assurance is sought on the wider issues identified within this report to identify and address the control gaps, for example:

- Finance system capabilities
- Segregation of duties
- Compliance with the Financial Regulations

Management Response



Debt Management Policy

- Recommendation 1.1:
 - There are procedure notes which are used by the Income Recovery Team Leader and Sundry Debt Officer. The procedure notes detail the daily/weekly/monthly tasks, along with the Sundry Debt Officer having their own procedure notes for more detailed and system activity.
 - There is a clear process which is followed by the person requesting the action (service area), person authorising (service area) and person undertaking the action (Sundry Debtor Officer)
 - There are limitations within the current system which results in manual processes. The introduction of Unit4 in April 2024 will remove these, with automation of each stage of process being issued to the relevant officer. This process will be within Unit4, removing the need for manual documentation being completed.
 - There is a low risk for need for policy when setting up a new customer and requesting the issuing of an invoice.
- Recommendation 1.2: The Fair Collection and Debt Recovery policy is currently under review, and forms part of the audit action for the Head of Service (Revenues, Benefits and Customer Service), with a deadline of 31 March 2024. **The policy is currently fit for purpose, and it is therefore unreasonable to include this as part of the rating when the deadline for the review has not yet passed.**
- **Action needed:**
 - **Minimal action needed:** A document to be produced to clearly show responsibilities; each service area, requester, authoriser, and authorisation limits. This will be produced in conjunction with the preparation for the introduction of Unit 4 in April 2024 as part of the project.
- **RAG Rating:**

Management Response

Management Response



- The current rating of HIGH is not accepted for the reasons as stated above **and is not recognised as a high risk**
- The rating of LOW would be acceptable, due to the limitations of the current system and minimal actions needed

Segregation of duties

- There is a clear segregation of duties with up to 2 officers from service areas requesting / authorising the activity and the action being undertaken by the Sundry Debt Officer
- Recommendation 2.1
 - The Sundry Debt Officer will not undertake an action without instruction / approval from the service area.
 - ATR (Authority To Request) is required for new customer set up / changes.
 - Invoices are raised once the ATR is received.
 - Credit Notes are issued on instruction of cancellation of an invoice.
 - Re-allocate cash between customer accounts would only occur where a debtor has informed us that they have paid on the wrong account.
 - Write Offs – a new procedure has recently been introduced to include all write offs on a spreadsheet – detailing all debtor information, value, reason for write off, with clear separation for requester, authoriser and person undertaking the write off within the system.
 - **The finance team allocated the cash accordingly, therefore, involving a third officer within the process, this extending the segregation of duties.**
- Recommendation 2.2:
 - Monitoring responsibilities are in place as part of service area monthly budget monitoring meetings between budget holders and accountant
- Recommendation 2.3:

Management Response

Management Response



- Reporting such as new customers set up, invoices issued, credit notes issued and write offs actioned is available and can be for any period required i.e. within each month for budget monitoring. **This will require budget holder to consider the variances within budget lines and review these are required.**
- The audit has not identified any fraud or error; therefore the current process demonstrates there is adequate segregation of duties
- **Action needed:**
 - **Minimal action needed:**
 - **Income Recovery Team Leader to review activities; identification of trends / patterns within a material threshold limit**
 - to Monthly reports to be included as additional information for budget monitoring meetings to show the number and value of customers set up, invoices & credit notes raised and write offs actioned
 - The introduction of Unit4 in April 2024 will show clear segregation of duties as part of the automated approval process for each stage
- **RAG Rating:**
 - The current rating of HIGH is not accepted for the reasons as stated above
 - The rating of **MEDIUM** would be acceptable, due to the minimal action needed

Credit notes

- Recommendation 3.1:
 - There is an approval process for credit notes – with the service area requesting the credit note to be raised, this being authorised and issued to the Sundry Debt Officer to action. A credit note will not be raised without introduction to do so.

Management Response

Management Response



- The independent checking of the credit note is part of the process, with at least 2 officers from 2 different service areas involved. For credit notes over £50k, these are checked by the Income Recovery Team Leader or in their absence, the Head of Service.
- Recommendation 3.2:
 - Credit note reports are available in E-Fin for all budget holders to access
 - Monitoring responsibilities are in place as part of service area monthly budget monitoring meetings between budget holders and accountant
 - Reporting such as new customers set up, invoices issued, credit notes issued and write offs actioned is available and can be for any period required i.e. within each month for budget monitoring
- Recommendation 3.3
 - The Sundry debt Officer has changed during 2022/23 and as a result, there have been improvements to previous processes – one of these being that all documentation is scanned in and saved to a central location – therefore action 3.3 is not required
- Analysis of the 206 credit notes totalling £826k has been undertaken with the following findings:
 - Of the 206 credit notes, 11 accounts for £748k (of the £826k) which is 91% with the remaining 195 having an average value of £403 per credit note.
 - Analysis of the higher value credit notes shows that most were raised to cancel an invoice and for the invoice to be re-raised.
 - As a result of this analysis, there is a low risk that credit notes are being raised where they should not be or are of high value.
- **Action needed:**
 - **Minimal action needed:**
 - Spreadsheet to be completed by the Sundry Debt Officer providing reason for credit note being raised, service area and requesting officer; identification of trends / patterns within a material threshold limit

Management Response

Management Response



- Monthly reports to be included as additional information to the budget holder to show number and value of credit notes raised
- **RAG Rating:**
 - The current rating of HIGH is not accepted for the reasons as stated above
 - The rating of **MEDIUM** would be acceptable, due to the minimal action needed and the outcome of the analysis undertaken

Debt Collection and Recovery

- Recommendation 4.1
 - This has been addressed in other areas of this audit
- Recommendation 4.2
 - Officers involved in this process do have the correct skills and appropriate access
 - Further action is taken to collect or recover outstanding debts.
 - There is a contract in place to refer these debts to an external agency – who issue a further letter for recovery
 - The action the external agency undertake is limited due to the level of service SKDC have procured
 - Aged debt reports are available in E-Fin for all budget holders to access
 - Monitoring responsibilities are in place as part of service area monthly budget monitoring meetings between budget holders and accountant
- **Action needed:**
 - **Medium action needed:**
 - The Head of Service will be reviewing the level of service provided by the external agency and will consider any changes to improve collection of aged debts

Management Response

Management Response



- The Sundry Debt Officer will provide details of aged debt to the originating service area; relevant action to be taken by the service area
- **Minimal action needed:** Additional information could be provided in the form of monthly reports to the budget holder to show number and value of aged debts
- **RAG Rating:**
 - The current rating of HIGH is not accepted for the reasons as stated above
 - The rating of MEDIUM would be acceptable, due to the actions needed

Write Off Approvals

- Recommendation 5.1:
 - A new procedure has recently been introduced to include all write offs on a spreadsheet – detailing all debtor information, value, reason for write off, with clear separation for requester, authoriser and person undertaking the write off within the system
 - There were only 3 write offs in 2022/23 due to the issues as stated above
 - One for £2.60
 - One for £0.34
 - One for £0.05
 - There were no write offs between £50 to £2,000 undertaken in 2022/23 so the findings of the audit are inaccurate stating “ No debt write offs between £50-£2000 were countersigned by an Assistant Director, as stipulated in the Financial Regulations”
- Recommendation 5.2:
 - The Sundry Debt Team have long been advised that an electronic signature is needed on the document.

Management Response

Management Response



- The Sundry debt Officer has changed during 2022/23 and as a result, there have been improvements to previous processes – one of these being that all documentation is scanned in and saved to a central location – therefore action 6.2 is not required
- Recommendation 5.3:
 - As the testing covered “sample of approved (but not yet processed)” these should not be included within the audit, as they have yet to be approved
- Recommendation 5.4:
 - Write off reports are available in E-Fin for all budget holders to access
 - It is expected that monitoring would be undertaken as part of monthly budget monitoring meetings between budget holders and accountant
- **Action needed:**
 - **Minimal action needed:** Despite only 3 write-offs for 2022/23, a document will be produced to clearly show responsibilities; each service area, requester, authoriser, and authorisation limits. This will be produced in conjunction with the preparation for the introduction of Unit 4 in April 2024 as part of the project. **There will also be a reference tab linked to the financial regulations showing authorisers and their limits for each service area.**
 - **Minimal action needed:** Additional information could be provided in the form of monthly reports to the budget holder to show number and value of write offs
- **RAG Rating:**
 - The current rating of HIGH is not accepted for the reasons as stated above
 - The rating of MEDIUM would be acceptable, due to the actions needed

Processing of Write Offs

- Recommendation 6.1:
 - An explanation was provided during the audit with regards to write offs
 - Since an upgrade, the write off facility is not functioning as needed (it did as part of testing)

Management Response

Management Response



- This has been raised with the DBA and is being looked into, therefore no investigation is needed. Once the functionality is in place, the approved write offs will be processed
- Recommendation 6.2
 - There is an approval process for actioning of write offs – with the service area requesting the write off, this being authorised and issued to the sundry debtor officer to action
 - The independent checking of the write off is part of the process, with at least 2 officers involved.
- Recommendation 6.3:
 - A review of the outstanding debts will be undertaken as priority once the write off functionality is available – as it is not currently, this is not a priority
- Recommendation 6.4:
 - Write off reports are available in E-Fin for all budget holders to access
 - It is expected that monitoring would be undertaken as part of monthly budget monitoring meetings between budget holders and accountant
 - Bad debt provision is considered as part of the year end process; reviewing age of debt and value
- **Action needed:**
 - **Minimal action needed:**
 - Additional information could be provided in the form of monthly reports to the budget holder to show number and value of write offs
 - **Income Recovery Team Leader to review activities; identification of trends / patterns within a material threshold limit**
- **RAG Rating:**
 - The current rating of HIGH is not accepted for the reasons as stated above

Management Response

Management Response



- The rating of MEDIUM would be acceptable, due to the action needed and whilst it is out of our control, it is accepted a function of the system is not currently working correctly

Customer Masterdata

- Recommendations 7.1 and 7.2:
 - Are repeated within the remaining 9 areas of this audit and so will not be picked up for action here
 - As advised earlier in this response, there is segregation of duties with at least 2 officers from 2 different service areas undertaking each step within the customer process
 - Reporting and monitoring is available for new customers and amendments
 - The audit finding clearly states there were no concerns with customer set ups “Although all new customer set ups tested agreed to supporting documentation, complete and accurate customer records are essential to the timely billing and collection of income and in maintaining strong customer relationships”
 - Within the functionality of the current system, we are unable to make a customer account inactive. If an account is closed, it is removed completely from Cedar
- Recommendation 7.3:
 - A data cleanse will take place as part of the preparation to move across to Unit4 from April 2024
- **Action needed:**
 - **Minimal action needed:** Perform a data cleanse of the debtors ledger to ensure removal of unnecessary or duplicate accounts.
- **RAG Rating:**
 - The current rating of HIGH is not accepted for the reasons as stated above, and due to the fact 7.1 and 7.2 are repeated elsewhere within the action plan

Management Response

Management Response



- The rating of LOW would be acceptable, due to the minimal action needed

Approval for New Customer Set Ups and New Sales Invoice Requests

- Recommendation 8.1:
 - As advised earlier in this response, there is segregation of duties with at least 2 officers from 2 different service areas undertaking each step within the customer set up process
 - A customer would not be set up by the Sundry Debt Officer without the completion of the ATR (Authority To Request) form the service area
- Recommendation 8.2:
 - The Sundry Debt Team have long been advised that an electronic signature is needed on the document.
 - The Sundry debt Officer has changed during 2022/23 and as a result, there have been improvements to previous processes – one of these being that all documentation is scanned in and saved to a central location – therefore action 6.2 is not required
- Recommendation 8.3:
 - It is agreed that the ATR needs to include the name and job title of the officer
- **Action needed:**
 - **Minimal action needed:**
 - Name and job title of officers to also be included on the ATR
 - **Clear line of authorisation to show officer/team leader, team leader/manager, manager/head of service etc**
- **RAG Rating:**
 - The current rating of HIGH is not accepted for the reasons as stated above
 - The rating of **MEDIUM** would be acceptable, due to the minimal action needed

Refunds

- Recommendation 9.1:

Management Response

Management Response

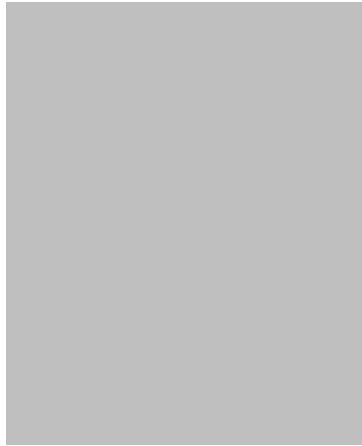


- Where the customer has paid by direct debit, the bank details do not need to be confirmed, as the refund is returned to the same bank account they made payment from
- Where we do not hold bank details, the customer will be contacted by the **Sundry Debt Officer**, and the bank details provided by the customer are used for the refund
- Recommendation 9.2:
 - A refund is derived from the request of a credit note being issued and as advised earlier in this response, there is segregation of duties with at least 2 officers from 2 different service areas undertaking each step
- **Action needed:**
 - **Minimal action needed:**
 - **Income Recovery Team Leader to review activities; identification of trends / patterns within a material threshold limit**
- **RAG Rating:**
 - The current rating of HIGH is not accepted for the reasons as stated above
 - The rating of LOW would be acceptable, as no actions are needed, and the audit did not identify any fraud and error

Performance monitoring

- Recommendation 10.1:
 - There was a typing error when the office put the figure from the report into the performance s/sheet.
 - The performance spreadsheet is reviewed but this was not picked up
 - The performance data is not formally used, and is used for Income Recovery Service area monitoring
- **Action needed:**

Management Response



- **Minimal action needed:** Income Recovery Team leader to investigate whether information and can automatically populated into the performance dashboard. If this is not achievable, both the Income Recovery Team Leader and Sundry Debt Officer will review the information in the dashboard
- **RAG Rating:**
 - The current rating of MEDIUM is not accepted for the reasons as stated above
 - The rating of LOW would be acceptable, as the impact of this action is low

1.	Risk Description	Current Rating	Target Rating
	Ineffective procedures or non-compliance with procedures hinder the Council's ability to collect debts in a timely and appropriate manner	High	Low
Findings			
<p>Debt Management Policy</p> <p>There is no internal policy or protocol for the management of sundry debts, which sets out the expected standards of service and defines the responsibilities of the debt raising services and the Sundry Debtors Team. The Council's external Fair Collection and Debt Recovery Policy is dated August 2021 and is currently under review. Both of these documents, together with the Financial Regulations, provide a control framework for the collection of sundry debts.</p> <p>A stipulation of the Council's Financial Regulations is to develop and maintain a Corporate Debt Management Policy and up to date procedural guidance for the collection of income due to the Council.</p> <p>Whilst procedure notes are in place within the Sundry Debtors team, it is important that respective responsibilities and expected standards are clearly documented and understood by all officers involved in the processing and management of sundry debts. This is to ensure that there are no gaps in responsibilities, that a fair, lawful and consistent approach is applied to debt management and to reduce risk exposure.</p>			
Implications			
<p>Inaccurate billing, untimely or non-recovery of amounts owed, leading to financial loss to the Council.</p> <p>Non-compliance with laws and regulations, leading to reputational damage.</p>			
Recommendations			
1.1 Develop and agree an internal Debt Management Policy / Protocol. Issue to all officers involved within sundry debtors processes.			High

Action Plan

1.2 Complete the review of the Fair Collection and Debt Recovery Policy and issue following Member approval. 1.3 Review supporting procedures to ensure consistent with policy requirements.		
Agreed Action	Responsibility	Implementation date
A document to be produced to clearly show responsibilities; each service area, requester, authoriser, and authorisation limits.	Income Recovery Team Leader & Sundry Debt Officer Service area input	19 June 2023

2.	Risk Description	Current Rating	Target Rating
	Fraudulent activity is not detected, resulting in financial loss and reputational damage	High	Low
Findings			
<p>Segregation of Duties within the Finance System</p> <p>Segregation of duties is severely limited in many of the key sundry debtor processes within the finance system due to the small size of the Sundry Debtors team and limitations with the system. Segregation of duties is a fundamental principle of financial control which reduces the risk of fraud or error. However, the Sundry Debtors Officer undertakes the following duties within the debtors system without the intervention or approval of another officer:</p> <ul style="list-style-type: none"> • Set up new customers and change the details of existing customer data, including bank details where debts are paid via direct debit. • Raise invoices and credit notes • Re-allocate cash between customer accounts* • Write off debts <p>Whilst new customer set ups, the generation of sales invoices and debt write offs require independent approval, these approvals are manually provided (e.g., via email) prior to being actioned in the debtors system. Without any independent checks or approvals in the debtors system, it is possible for (note: this is not exhaustive):</p> <ul style="list-style-type: none"> • Customer account details to be incorrect or fictitious • Sales invoices and credit notes to contain errors • Illegitimate credit notes to be raised (e.g., to write off debts or cancel off debts of friends / family) • Cash received from one customer to be re-allocated against the debts of friends / family (cash skimming) • Debts to be written off unnecessarily or illegitimately 			

Action Plan

Without adequate segregation of duties within the finance system, the risk of error and fraud is heightened by the limited monitoring controls. Monthly budget monitoring meetings between the budget holders and Finance could identify material errors within sales invoices, credit notes and write offs. However, there is no close monitoring of these areas by the Sundry Debtors team, as the responsibility for this has not been clarified and due to their limited access to reporting (business objects). It should be noted that these risks are not limited solely to the Sundry Debtors Officer but also to other officers within service areas who have access to the debtors system. These service areas can also set up new customers and raise sales invoices in the system without the intervention of another officer.

We found no errors or evidence of illegitimate activity within the customer set ups, sales invoices, credit notes or write offs within our sample tested.

* The Sundry Debtors Officer cannot post cash to the debtors system; this is undertaken by the Finance team.

Implications

Fraud and error can lead to financial loss to the Council and delays in the receipt of income.

Recommendations

2.1. Assign monitoring responsibilities.

2.3. Establish a reporting process so that the offices responsible have access to the relevant reports for regular monitoring purposes. See findings 3, 5, 6, 7 and 9 for further discussion.

High

Agreed Action

Responsibility

Implementation date

Monthly reports to be included as additional information for budget monitoring meetings to show the number and value of customers set up, invoices & credit notes raised and write offs actioned

Service Area Budget Holder

1 August 2023

Income Recovery Team Leader to review activities; identification of trends / patterns within a material threshold limit

Income Recovery Team leader

1 August 2023

3.	Risk Description	Current Rating	Target Rating
	Errors are not detected leading to incorrect or untimely collections.	High	Low
Findings			
<p>Credit Notes</p> <p>Control improvements are required to enhance the transparency and oversight of credit notes raised. The Council's Financial Procedure Rules state that credit notes should only be used to correct a factual inaccuracy or administrative error in the calculation or billing of the original debt. Between April 22 and February 23, 206 credits notes had been raised with a total net value of £826K, representing 17.4% of invoiced amounts during the period*. Our review found that:</p> <ul style="list-style-type: none"> • There is no formal process for the approval of credit notes. Credit note requests are raised but not routinely independently approved by the debt raising area prior to being actioned by the Sundry Debtors Officer. It should be noted that Senior Managers were aware of all credit notes tested over £50K. • There are no independent checks for accuracy on credit notes once raised due to the limited segregation of duties in the process (see finding 2). Credit notes are not issued to the customer or requesting officer once raised. • There is no close reporting or monitoring of credit notes raised to ensure that they are legitimate, the Financial Regulations are being followed and that the number / value of credit notes raised appears reasonable. • There was no audit trail to support one credit note tested (£920), as it had not been filed. We could not therefore confirm the legitimacy of this credit note. All other credit notes tested were deemed to be justified and legitimate. <p><i>* For comparison, this figure was 4% at two other district Councils.</i></p>			
Implications			
<p>Credit notes effectively represent lost income to the Council and therefore if inaccurate, unauthorised, improperly used or not monitored, this increases the risk of financial loss to the Council.</p>			

Recommendations		
<p>3.1 Develop and embed a process for the independent approval of credit notes by the service area.</p> <p>3.2 Develop and embed a process for the regular monitoring and reporting of credit notes. This process could include:</p> <ul style="list-style-type: none"> - spot checks of a sample of credit notes to confirm their accuracy and legitimacy. - analysis of reasons for credit notes and income streams where invoicing errors most commonly occur. - periodic reporting of credit notes to Service Managers and the Chief Finance Officer or their Deputy. <p>(See also finding 2).</p> <ul style="list-style-type: none"> - benchmarking against other district councils. <p>3.3 Ensure all credit note requests and approvals are centrally filed to support credit notes raised.</p>	High	
Agreed Action	Responsibility	Implementation date
Monthly reports to be included as additional information to the budget holder to show number and value of credit notes raised	Service Area Budget Holder	1 August 2023
Spreadsheet to be completed by the Sundry Debt Officer providing reason for credit note being raised, service area and requesting officer; identification of trends / patterns within a material threshold limit	Sundry Debt Officer	1 August 2023

06

4.	Risk Description	Current Rating	Target Rating
	Outstanding debt is too high impacting financial performance, bad debts and cashflow.	High	Low
Findings			
<p>Debt Collection and Recovery</p> <p>With the exception of those service areas which pursue their debts, no further action is routinely taken to collect or recover outstanding debts following the issue of three reminder letters by the Sundry Debtors team. As at the end of January 2023, the total value of aged debt was £462K. Although there is an expectation that the service areas which raise their own invoices take action themselves to collect debts after the reminders have been issued, the responsibility and policy for the collection and recovery of debts after the reminder process has not been formally documented (see finding 1). Not all service areas raise their own sales invoices, have access to the debtors system or have reporting on outstanding debts to be able to undertake timely action. They are therefore reliant upon the Sundry Debtors team for the collection and recovery of their debts. However, we were informed that the Sundry Debtors Officer does not have the capacity to go through the outstanding debts, including the disputed invoices*, and chase up these debts, unless specifically requested by the service areas.</p> <p>In addition, the Sundry Debtors team issued monthly reports to the Service Managers on their outstanding debts. However, these are no longer issued due to a lack of access to the reporting.</p> <p>The debtors system cannot produce weekly 'Action Notices' reports due to technical issues. These reports are internal memos of individual outstanding debts whereby action is required to collect debts following the issue of reminder letters. These reports were sent to the Trade Waste team on a weekly basis before they stopped working. It should be noted that the Trade Waste team does collect its own overdue debts and is transitioning to billing in advance of its services being delivered.</p> <p><i>* As at March 23, £109K of invoices were in dispute. Note this total includes invoices that are with or have been returned from the debt recovery agency, those where the debtor has promised to pay and those proposed for write off. The Disputed invoices report shows that most invoices have been in dispute for more than 200 days, with some more than 1000 days, and includes two debts dating back to 2010.</i></p>			
Implications			

Outstanding debt becomes irrecoverable over time, leading to a build-up of bad debt and financial loss to the Council.

Recommendations

4.1 Debt collection and recovery responsibilities and protocols are clarified and documented within the internal Debt Management Policy / Protocol (see finding 1).

4.2 Ensure that those responsible for collecting and recovering debts have the capacity, appropriate system access permissions and reporting to facilitate effective action. This includes providing reporting on outstanding debts to the Service Managers and following up on the fix of Action Notices reporting.

High

Agreed Action

Responsibility

Implementation date

Review the level of service provided by the external agency and will consider any changes to improve collection of aged debts

Head of Service

Immediate

Additional information could be provided in the form of monthly reports to the budget holder to show number and value of aged debts

Service Area Budget Holder

1 August 2023

The Sundry Debt Officer will provide details of aged debt to the originating service area; relevant action to be taken by the service area

Sundry Debt Officer

1 August 2023

5.	Risk Description	Current Rating	Target Rating
	Outstanding debt is too high impacting financial performance, bad debts and cashflow.	High	Low
Findings			
<p>Write Off Approvals</p> <p>The approvals of bad debt write offs were not always consistent with the Council’s Financial Regulations. The Financial Regulations require debts up to £50 to be approved by the Head of Service (HoS) or equivalent, and those between £50-£2,000 to be approved by the HoS and countersigned by an Assistant Director (AD). Our testing* found that:</p> <ul style="list-style-type: none"> • Debts for write off up to £50 were approved by a Manager, but not always the HoS and no debts for write off between £50-£2000 were countersigned by an AD. It should be noted that these debts had been approved but were awaiting write off once the system issue (see finding 5) was resolved. • The approvals process for the write off of debts within the Revenues and Benefits team is not aligned with the Financial Regulations. Debts for write off up to £50 within this team were approved by the Income Recovery Team Leader and those between £50-£2,000 were approved by the Head of Revenues, Benefits and Customer Service. This is consistent with the write off delegations for council tax and non-domestic rates as agreed with the Chief Finance Officer and communicated by the Head of Revenues, Benefits and Customer Service in August 2022. • For some write offs the approvals held were in the form of typed or electronic signatures, which could be illegitimately or erroneously edited, and that the justification for the write off was not clear. <p>It is important that the approval processes and Financial Regulations align to ensure that adequate authorisation is obtained for write offs and that there is transparency around the approvals process.</p> <p>* Our testing covered completed write offs as well as a sample of approved (but not yet processed) write offs.</p>			
Implications			

93

Financial Regulations are a key element of the Council's governance framework and so it is important that they remain up to date to ensure approved processes are followed and to mitigate the risk of fraud and error.

The use / misuse of typed or electronic signatories and absence of clear justification for the write offs increases the risk of unauthorised / inadequately authorised or unnecessary write-offs. This can ultimately lead to financial loss to the Council.

Recommendations

5.1 The write off delegations currently being followed and the Council's Financial Regulations are reviewed and updated as necessary to ensure aligned and consistently followed for sundry debt write offs.

5.2 Obtain and centrally file email or handwritten evidence of approval. Electronic or typed signatures should not be accepted. Email approvals could be saved within the write off request forms.

5.3 Ensure all write offs are properly justified to ensure approval decisions are fully informed.

5.4 See recommendation 6.4.

High

Agreed Action

Responsibility

Implementation date

A document will be produced to clearly show responsibilities; each service area, requester, authoriser, and authorisation limits. This will be produced in conjunction with the preparation for the introduction of Unit 4 in April 2024 as part of the project.

Income Recovery Team
Leader & Sundry Debt
Officer

Service area input

Immediate

Reference tab linked to the financial regulations showing authorisers and their limits for each service area

Immediate

Additional information could be provided in the form of monthly reports to the budget holder to show number and value of write offs

Service Area Budget
Holder

1 August 2023

6.	Risk Description	Current Rating	Target Rating
	Outstanding debt is too high impacting financial performance, bad debts and cashflow.	High	Low
Findings			
<p>Processing of Write Offs</p> <p>The write off process has not been working effectively, with the total value of write offs completed since April 2022 being £2.99*. As at the end of January 2023, £317K of outstanding debt, representing 67% of the total debt, was more than 90 days old. The main reasons for this are:</p> <ul style="list-style-type: none"> • Write offs could not physically be processed due to technical issues with the debtors system. £10K of write offs had been approved and were awaiting write off in the system. The Systems Administrator has been informed of these issues. • The Sundry Debtors Officer has not had the opportunity to review the outstanding debts for write off, due to time constraints. The debts that have been identified for write off this financial year were those that had been identified by their predecessor. • The prerequisite approvals for write off have not been received for £36K of debt, although these have been sought since July 2022. <p>In addition, there is no system reporting or monitoring of the number and value of debts written off by the Sundry Debtors team to ensure legitimate, accurate and appropriately authorised. This is due to not having access to the reporting.</p> <p><i>* taken from write off request forms held by the Sundry Debtors Team.</i></p>			
Implications			
<p>The accounts may not reflect the true level of bad debt write offs and the debtors balance may be overstated due to the build up of bad debts. There may be missed opportunities to claim back the VAT on bad debts*.</p> <p><i>* VAT on bad debts can be reclaimed once the debt is over six months old (from the latter of the payment due date or time of supply) and is less than four years and six months old. To be able to do this the VAT must have been paid and the debt written off in the accounts.</i></p>			

Action Plan

Recommendations		
<p>6.1 Investigate the technical issues to promptly identify a fix for the debtors system and write off those debts that have been approved. Ensure that the system issues identified within this report are monitored for prompt resolution (see also finding 4).</p> <p>6.2 Obtain the relevant approvals for all debts identified for write off.</p> <p>6.3 Agree an approach to review outstanding debts and identify those for write off. This could include the automatic write off of debts over a certain age or below a given monetary value.</p> <p>6.4 Develop and embed a process for the monitoring and reporting of write offs. This process could include spot checks of a sample of write offs to ensure accurate, justified and appropriately approved. (See findings 2 and 5).</p>		Medium
Agreed Action	Responsibility	Implementation date
Additional information could be provided in the form of monthly reports to the budget holder to show number and value of write offs	Service Area Budget Holder	1 August 2023
Income Recovery Team Leader to review activities; identification of trends / patterns within a material threshold limit	Income Recovery Team Leader	1 August 2023

7.	Risk Description	Current Rating	Target Rating
	Errors are not detected leading to incorrect or untimely collections.	High	Low
Findings			
<p>Customer Masterdata</p> <p>There is no clear ownership or oversight of the customer masterdata, nor any robust controls in place to ensure its integrity such as the independent approval, checking or monitoring of new customers or amendments. The Sundry Debtors team and some other service areas are able to set up new customers and amend their details in the system. It is important that robust controls are in place around the data and that consistent standards are adhered to in order to ensure its integrity and reduce the risk of fraud. We found that:</p> <ul style="list-style-type: none"> • There are no independent checks on the accuracy of customer data once new customers have been set up or their details amended in the system (see finding 2). Reliance is placed on the checking and approval of new customer set up / sales invoice requests prior to raising in the system (see finding 8). • There is no reporting or monitoring of new customer set ups or amendments to customer data. • Our testing highlighted two customers with duplicate accounts which require cancellation. There is no clear process for making customer accounts inactive. <p>Although all new customer set ups tested agreed to supporting documentation, complete and accurate customer records are essential to the timely billing and collection of income and in maintaining strong customer relationships.</p>			
Implications			
<p>Fraud or errors in the system go undetected, leading to delays in the receipt of income or financial loss.</p> <p>There is a lack of transparency over the true debt position of customers.</p> <p>There may be an increased risk of non-compliance with GDPR regulations due to duplicate customer records held.</p>			
Recommendations			

Action Plan

<p>7.1 Assign and document the ownership of the customer masterdata and the associated responsibilities including data monitoring. For example, the ownership and control of the customer masterdata could be centralised so that customers can only be set up / amended by a restricted number of officers within one team based on approved request from service areas, but invoices continue to be raised by the service areas.</p> <p>7.2 Identify and enable available reporting on new customer set ups and amendments to customer details, so that a monitoring process can be implemented. This could include spot checks on the accuracy / legitimacy of a sample of sets ups / amendments.</p> <p>7.3 Perform a data cleanse of the debtors ledger to ensure removal of unnecessary or duplicate accounts. Resourcing / capacity issues are acknowledged with these recommendations.</p>		<h1>High</h1>
Agreed Action	Responsibility	
Perform a data cleanse of the debtors ledger to ensure removal of unnecessary or duplicate accounts.	Sundry Debt Officer Unit4 Project Team	31 March 2024

8.	Risk Description	Current Rating	Target Rating
	Errors are not detected leading to incorrect or untimely collections.	High	Low
Findings			
<p>Approval of New Customer Set Ups and New Sales Invoice Requests</p> <p>Greater formality and consistency is required around the approval of new customer set ups and sales invoice requests to ensure that the customer or sales invoice data is accurate. These approvals are given prior to processing in the system. New customer set ups and sales invoices are processed by the Sundry Debtors team upon receipt of a completed Authority to Request (ATR) form which is independently approved by a Manager from the debt raising area. We found inconsistencies within the approval of the ATR forms:</p> <ul style="list-style-type: none"> The ATR forms were raised but not independently approved by the debt raising area in four sales invoices tested. Three of these forms (two of which were for amounts >£100K) were completed by Managers, in which case a countersignatory is not sought. One form submitted by an administration officer was not countersigned. Three ATR forms contained typed signatures and the approval was not provided in a supporting email trail. The approval signatories on two ATR forms were not recognised. The ATR form does not require the names of the requestor and approver to be signed and printed. <p>The risk that errors within the customer masterdata and invoices are not identified prior to the issue of the invoices is further increased due to:</p> <ul style="list-style-type: none"> The details within the ATR forms are not checked to supporting documentation when received from the service areas. This is because reliance is placed on the forms being accurate when received by the Sundry Debtors team. Sales invoices are not sent to the originator once raised unless specifically requested. Where customer set ups processed by the service areas, these are not always based upon a direct written instruction or approval of a Manager, but upon the set-up of a customer agreement, issue of a licence or receipt of application for example. 			
Implications			

Action Plan

Errors within the customer masterdata and sales invoices may lead to lost or untimely receipt of income.		
Recommendations		
8.1 Introduce a formal process for the approval of new customer set up / sales invoice requests. This could include establishing limits of authority so that all invoices in excess of a given monetary value require a countersignature.	Medium	
8.2 Typed approval signatures are not accepted without supporting email evidence of the approval.		
8.3 The ATR form requires the requestor and approver to sign and print their name and job title.		
Agreed Action	Responsibility	Implementation date
Name and job title of officers to also be included on the ATR	Sundry Debt Officer	Immediate
Clear line of authorisation to show officer/team leader, team leader/manager, manager/head of service etc	Sundry Debt Officer	Immediate

9.	Risk Description	Current Rating	Target Rating
	Errors are not detected leading to incorrect or untimely collections.	High	Low
Findings			
<p>Refunds</p> <p>The bank details in the processing of sundry debtor refunds are not confirmed with the customer by the Sundry Debtors Officer prior to processing. From testing performed, the bank details used were those already on the finance system where the customer paid via direct debit or were provided via email by another SKDC officer. Although all refunds tested had been approved by the Income Recovery Team Leader, there is an increased risk of the bank details used being incorrect or illegitimate due to mistyped details within officer emails, but also due to the weak controls around customer masterdata (see findings 2 and 7).</p> <p>In addition, we identified that there is no system reporting or monitoring of refunds processed or investigation of customer balances in credit. This would help to ensure that the refunds are legitimate and authorised, and to identify billing errors. At the time of testing, 19 refunds totalling £8,362 had been paid during 2022/2023*. 135 customer balances were in credit totalling £19,165.</p> <p><i>* Taken from a refunds log maintained by the Sundry Debts Officer.</i></p>			
Implications			
Inaccurate or illegitimate bank details used in the processing of refunds may result in fraudulent refunds or refunds not being received by their intended beneficiary and ultimately financial loss to the Council.			
Recommendations			
<p>9.1. All bank details used in the processing of refunds to be confirmed by the customer. Customer confirmation of these details to be checked as part of the refund approval process.</p> <p>9.2. Develop an approach to the monitoring of refunds (see finding 2) and investigation of credit balances (e.g., target highest value or accounts that are frequently in credit)</p>			Medium

Action Plan

Agreed Action	Responsibility	Implementation date
Income Recovery Team Leader to review activities; identification of trends / patterns within a material threshold limit	Income Recovery Team Leader	1 August 2023

Advisory Points - Adding Value through Efficiencies

The following items are advisory recommendations / comments arising from the audit, which management may wish to consider implementing to improve efficiency of the system or performance.

Ref	Finding	Advice
AP 01	<p>Performance Data</p> <p>A discrepancy of £60K was noted within the sundry debtor data within the Revenues and Benefits performance dashboard. The ageing profile of outstanding sundry debts is monitored within an excel based dashboard on a monthly basis by the Head of Revenues, Benefits and Customer Service, which is shared with the Chief Finance Officer. It was noted that the total value of debts aged 30 days in Jan 23 in the dashboard was £21,755 compared to £81,755 per the monthly outstanding debts report.</p> <p>It is important that the risks of manual error are adequately mitigated to ensure that management information is accurate and consistent and decisions are fully informed.</p>	<p>Identify whether the opportunity exists to generate performance data directly from the system to reduce the risk of transposition error.</p> <p>Undertake additional checking of performance data in the dashboard for accuracy and consistency, particularly where the data is manually entered.</p>
AP 02	<p>Trade Waste Invoices</p> <p>Approximately 700 trade waste sales invoices are manually raised each month by the Trade Waste Co-Ordinator. Due to system impracticalities, these cannot be set up as recurring invoices within the main debtor ledger (DGE). A quote is being sought from the system host to implement a separate debtor ledger for Trade Waste invoices to reduce the risk of error and reduce process inefficiency.</p>	<p>Obtain a quote and perform a cost benefit analysis of having a separate debtor ledger for Trade Waste invoices.</p>

Advisory Points - Adding Value through Efficiencies

<p>AP 03</p>	<p>Issue of Sales Invoices</p> <p>Sales invoices are issued via post unless specifically requested by the customer to send via email and as such the majority of sales invoices are issued via post. A system enhancement to automatically email out the sales invoices was implemented but was not successful. This issue has been raised but not resolved.</p>	<p>Follow up on the issue with the system provider.</p>
<p>AP 04</p>	<p>System VAT Codes</p> <p>The ATR form does not contain an explanation of the VAT codes in the system. Two invoices were identified during testing whereby the incorrect amounts had been charged as the VAT had been charged exclusive rather than inclusive of VAT. Although these errors were identified by officers prior to the issue of the invoices, the inclusion of the VAT codes within the form may help to ensure that the amounts charged are accurate.</p>	<p>The ATR forms contain a description of the six VAT codes used in the system.</p>

Appendix 1 - Assurance Definitions

High	Substantial
<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore, the risk of the activity not achieving its objectives is high.</p>

Appendix 1 - Assurance Definitions

Risk Ratings

Current	Reflects the residual risk after assessing the controls in place.
Target	<p>Represents what level risk an organisation may wish to take, or what level of risk is considered acceptable. Where risk ratings are not at target levels, then recommendations will be given within the report to help achieve the expected risk rating.</p> <p>In some areas the target risk rating may not be “Low” and we may be willing to accept a “Medium” target risk rating. These situations could be found where:</p> <ul style="list-style-type: none"> • An organisation wishes to realise potential opportunities and as a result has a higher risk appetite. • The area under review is so inherently risky that we accept that risk mitigation strategies are unable to achieve a “Low” target risk rating.

Action Priority

High	Immediate management attention is required - an internal control or risk issue where there is a high certainty of: substantial loss / non-compliance with corporate strategies, policies, or values / serious reputational damage / adverse regulatory impact and / or material fines (action taken usually within 3 months).
Medium	Timely management action is warranted - an internal control or risk issue that could lead to financial loss / reputational damage / adverse regulatory impact, public sanction and / or immaterial fines (action taken usually within 6 to 12 months)

Appendix 2 – Distribution List

Distribution List



Richard Wyles – Chief Finance Officer

Claire Moses – Head of Revenues, Benefits and Customer Service

Debra Gorely – Income Recovery Team Leader

Tracey Elliott – Governance & Risk Officer

Disclaimer

The matters raised in this report are only those which came to our attention during our internal audit work. Our quality assurance processes ensure that our work is conducted in conformance with the UK Public Sector Internal Audit Standards and that the information contained in this report is as accurate as possible – we do not provide absolute assurance that material errors, fraud or loss do not exist.

This report has been prepared solely for the use of Members and Management of South Kesteven District Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.





**SOUTH
KESTEVEN
DISTRICT
COUNCIL**



Governance and Audit Committee

26 September 2023

Report of the Leader of the Council

Response to Internal Audit Progress Report – September 2023

Report Author

Richard Wyles, Deputy Chief Executive and s151 Officer

 richard.wyles@southkesteven.gov.uk

Purpose of Report

This report has been prepared to respond to the Internal Audit Progress Report – September 2023 that is scheduled to be presented to Governance and Audit Committee.

Recommendations

- 1. Governance and Audit Committee is asked to note the contents of this report in conjunction with the Internal Audit Progress Report – September 2023**

Decision Information

Does the report contain any exempt or confidential information not for publication?

No

What are the relevant corporate priorities?

High performing Council

Which wards are impacted?

All

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 There are no specific financial comments arising from this report.

Completed by: Alison Hall-Wright, Assistant Director of Finance

Legal and Governance

- 1.1 As set out in Article 9 of Part 2 of the Constitution, one of the functions of the Governance and Audit Committee is to review internal progress reports by Internal Audit. The Governance and Audit Committee is therefore invited to consider and note the content of the report by the Head of Internal Audit, attached separately as part of this agenda item.
- 1.2 Additionally, the Committee is invited to consider the content of this report which sets out responses on behalf of the Council's senior management to the Head of Internal Audit's report.

Completed by: Graham Watts, Assistant Director of Governance and Monitoring Officer

Risk and Mitigation

- 1.2 Inaccurate reports can damage the Council's reputation therefore it is important that the Council responds to those inaccuracies.

Completed by: Tracey Elliott, Governance and Risk Officer

2. Background to the Report

- 2.1 Internal audit is required to provide progress reports throughout the year to Governance and Audit Committee.
- 2.2 The Council would like to respond to inaccuracies within the Internal Audit Progress Report – September 2023 as the report was presented to the Council as a final report without an opportunity to provide feedback on a draft version. These are captured below under the headings from Assurance Lincolnshire's report including the page number.

2.3 Performance Dashboard (page 5 of Progress Report)

No internal audits from the 2023/24 plan have been undertaken therefore it is unclear what the '22% Complete' refers to. The whistleblowing audit was undertaken outside of the agreed internal audit plan. Assurance Lincolnshire have advised that they have undertaken around 20 days work (£7,000) excluding the whistleblowing audit (£3,500). A full breakdown of the proposed charge has been requested from Assurance Lincolnshire.

2.4 Audit Feedback (page 5 of Progress Report)

Referencing 2022/23 Audit Feedback is not relevant to this Progress Report which should reflect the work undertaken in 2023/24.

As referenced within the report, Assurance Lincolnshire expect all clients to provide feedback by completing a questionnaire. Whilst this is not mandatory, the Council was aware that this may not have been happening and asked all auditees to complete the questionnaire so a summary could be shared with Assurance Lincolnshire at a meeting on 28 February 2023. Following the meeting, the summary was emailed to the Head of Internal Audit. One auditee had already returned the questionnaire on 16 February 2023, therefore the table in the report is inaccurate.

There was no request for the individual questionnaires to be forwarded and no response was received in relation to the feedback provided, which can be seen in the table below:

	A. Audit planning		B. Audit report			C. Communication			Summary of feedback
	Consultation	Fulfilment	Quality	Accuracy	Value	Feedback	Helpfulness	Promptness	
Good Governance	Yellow	Red	Red	Red	Yellow	Yellow	Green	Red	Too much focus on factors considered irrelevant or insignificant. Significant re-draft of report required
Risk Management	Green	Yellow	Yellow	Yellow	Yellow	Green	Green	Yellow	
ICT Cyber Security	Green	Green	Green	Green	Yellow	Green	Green	Green	Cyber Treatment Plan was already being implemented so the audit did not add value. "Good" score reflects the proficiency of the auditor
Programme Management	Green	Yellow	Red	Yellow	Yellow	Yellow	Green	Red	Poor selection of sample and poor report

Housing Void Management	Excellent	Adequate	Poor	Adequate	Poor	Poor	Adequate	Poor	Confusion re outcomes; targeted sample as opposed to a true sample; poor communication
Health and Safety	Good	Good	Poor	Poor	Poor	Poor	Good	Poor	Draft report did not reflect evidence/discussions

Excellent	Good	Adequate	Poor
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2.5 Update on Internal Audit Activity (page 6 of Progress Report)

Follow up

To undertake a follow up audit, Assurance Lincolnshire sent out a spreadsheet for outstanding actions to action owners. They rely on officers providing action updates which are then collated and reported upon. No sample testing or evidence is requested to support those updates and there is no engagement with action owners to ascertain action updates where there are queries. Unfortunately, as the follow-up request for clarification did not go to the action owners themselves the deadline was missed.

In respect of the recommendations agreed with the previous internal audit provider, Assurance Lincolnshire were provided with a document (supplied by the previous internal auditors) detailing all outstanding actions on 20 June 2022. They were provided access to the Council's tracking system on 22 July 2022 – the Governance and Risk Officer spent a day with the Principal Auditor in the office, to show them the tracking system, and provided an export of the actions on the same day.

The legacy internal audit actions were then encompassed within Assurance Lincolnshire's own tracking system ie a spreadsheet. Assurance Lincolnshire have therefore had oversight of those actions since 20 June 2022, and these were referred to in the Progress Report of 28 September 2022.

Liaison meetings

Given the 2023/24 plan has not commenced, (the members will recall that Assurance Lincolnshire informed Governance and Audit Committee at their July meeting that all audit dates would be scheduled for an update to the September meeting), there have been no liaison meetings. Assurance Lincolnshire were asked on 8 August 2023 for the commencement dates for the audits and they informed the Council that the plan would need to be reduced and that audits would not commence until October 2023.

Internal Audit

Annual Report 2022/23



South Kesteven District Council

Contents

Annual Opinion

Page 1

Governance
Risk
Internal Control
Financial Control

Our work

Page 10

Scope of Work
Restriction of Scope
Other Significant Work
Quality Assurance

Benchmarking

Page 14

Assurances
Recommendations
Key Performance Indicators

Appendices

Page 16

Details of Audits
Details of Audit Plan Changes
Benchmarking Data
Assurance Definitions
Glossary of Terms

Claire Goodenough - Head of Audit and Risk
Matt Waller – Audit Manager
Amanda Stanislowski – Acting Principal Auditor

claire.goodenough@lincolnshire.gov.uk
matthew.waller@lincolnshire.gov.uk
Amanda.stanislowski@lincoln.gov.uk

This report has been prepared solely for the use of Members and Management of South Kesteven District Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared and is not intended for any other purpose.

The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan.

Purpose of Annual Report

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations. The report will include:

- Include an opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it;
- Inform how the plan was discharged and the overall outcomes of the work undertaken that supports the opinion;
- A statement on conformance with the PSIAS and the results of the internal audit quality assurance;
- Draw attention to any issues particularly relevant to the Annual Governance Statement.

Introduction

For the twelve months ending 31 March 2023, the council's arrangement for governance and risk performed adequately.

It has been another challenging year for the Council operating in times of economic pressure locally and nationally.

Based on the work internal audit delivered and wider information obtained from other assurance sources, the HIA's opinion on the adequacy and effectiveness of the Council's arrangements for governance, risk management and control are deemed as:

Governance



Performing Adequately–

Some improvements identified over the Council's Governance, Risk and Control framework to manage medium risks across the Council

Risk



Performing Adequately –

Some improvements identified over the Council's Governance, Risk and Control framework to manage medium risks across the Council

Internal Control



Performing Adequately –

Some improvements identified over the Council's Governance, Risk and Control framework to manage medium risks across the Council

Financial Control



Performing Inadequately

Improvement required to manage a significant governance issue or high risk in a specific business area or medium risk across the Council



"Achieving the intended outcomes while acting in the public interest at all times"

It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

To achieve good governance, each Council should be able to demonstrate that its governance structures comply with the Chartered Institute of Public Finance Accountants (CIPFA) Delivering Good Governance in Local Government Framework, published in April 2016, and the Governance Risk and Resilience Framework 2021.

The internal audit service conducted a review of the governance framework that included identifying and gathering of key policies, strategies, processes and discussion with key staff.

From this work the audit service deemed that the Council is in the process of making significant improvements to its governance processes. These include an update to its constitution and close alignment with the CIPFA Good Governance Framework and Governance Risk and Resilience Framework.

Audit found that the Council's governance and decision-making arrangements align with the CIPFA Good Governance Framework and Governance Risk and Resilience Framework.

There is recognition that the Council is continuing with the improvements demonstrated throughout the year.

Further time is required for the new arrangements to become embedded, and the Council has action plans in place to support this which have arising from other external reviews.

Identified examples of good practice include:

- The publication of key information to meet the requirements of the Transparency Code.
- Consultation work with stakeholders including Community Governance Review for Grantham and the Food Waste Trial.
- A risk management framework with quarterly interaction between the risk management group and senior leadership.
- The Council's Constitution provides clarity over the Councils decision-making process with the flexibility to adjust work plans to address emerging issues.

The internal audit service identified some areas where arrangements could be strengthened. These include the design, agreement and publication of an IT strategy and a communications strategy. The website will be updated to include the most recently approved version of strategies, policies and frameworks.



"Achieving the intended outcomes while acting in the public interest at all times"

It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

Each year the Council is required to reflect on how its governance arrangements have worked, identifying any significant governance issues that it feels should be drawn to the attention of the public and report these in its Annual Governance Statement. This is in the interests of accountability and transparency.

The 2022/23 Annual Governance Statement (AGS) had not been finalised at the time of writing this report.

The 2021/22 Internal Audit Annual Report identified the following points for inclusion in the 2022 Annual Governance Statement:

Topics judged relevant for consideration as part of the Annual Governance Statement (AGS):

There were two areas (housing compliance, and income and banking), where only partial assurance could be taken over the effectiveness of controls in place.

The AGS should therefore include appropriate detail regarding the weaknesses identified and any actions that have already been taken by the Council to address the issues identified as part of audits where no, or partial assurance had been provided.

Internal audit can confirm that these actions are referenced but not explicitly recorded as

measurable actions in the 2022 Annual Governance Statement.

It is important that significant governance issues raised by internal audit and recommended for inclusion in the AGS are fully included, recorded and monitored.

The Governance and Audit Committee have a key role to play in maintaining oversight of these actions and recommendations made by internal audit.

The External Audit completion review, reported to Governance and Audit Committee in March 2022, is work in progress but it raises no significant issues against risk or value for money.

Assurance Lincolnshire are recommending that significant governance issues raised by Internal Audit are specifically included in the Annual Governance Statement action plan. Such issues should be regularly reported upon and action plans updated for the Governance and Audit Committee.

Governance



"Achieving the intended outcomes while acting in the public interest at all times"

"

It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

The Grant Thornton Lessons Learned From Public Interest Reports, part two, issued in September 2022, highlights several key themes that are common to councils experiencing significant governance failings. One of these themes is an ineffective Audit Committee.

Internal audit found that the programme of work and reports presented to the Governance and Audit Committee reflects the terms of reference and are well managed.

It is the opinion of the internal audit service that behaviours displayed during 2022/23 are seen as high risk. It is observed and noted that during meetings the focus on governance and risk matters can be impacted by the behaviour of some members in attendance.

The meetings held in June, September and November 2022 and January 2023 were each disrupted by members of the Committee and non-members of the Committee interrupting each other and interrupting officers. There were instances of arguing with each other in the public meetings and using disrespectful language. It is internal audit's view that this conduct went

beyond the bounds of robust discussion and challenge.

Such exhibited behaviours at the meetings is detrimental to the core business and remit of the Committee. The remit and core business is to provide oversight and support on the governance, risk and control environment.

Internal Audit are recommending that training for members of the Governance and Audit Committee includes a focus on conduct and best practice in what makes an effective committee.

The Council and Chairman should review the attendance for any non-committee members and consider whether their involvement at the committee supports or impairs the effectiveness of carrying out its remit. The training and review should be reported within the Annual Governance Statement Action Plan.

Governance assurance



**Assessed as
Performing Adequately**



Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability. This puts us in a stronger position to deliver our goals and provide excellent services.

A key indicator for good governance and assurance on the Council's delivery for corporate aims, service delivery and project management is having effective risk management systems in place, considering the organisational risk appetite.

Good risk management supports effective decision making and is a key part of both service delivery and achieving the Council's strategic priorities. A systematic and consistent approach to risk management will help ensure a culture of 'no surprises' minimising the effect of threats.

Overall, audit found that risk management is appropriately managed and that the relevant processes currently in place are operating effectively to reduce the impact of risk. This is supported through several areas of good practice including:

- A documented and Committee approved, Risk Management Framework which covers the period 2021-2023.
- A maintained Strategic Risk Register which contains key risks that could directly affect achievement of the Council's strategic objectives.
- The strategic risks are reviewed bi-annually by the Corporate Management Team (CMT) and the Governance and Audit Committee. This ensures oversight and awareness of risks.
- There is regular risk reporting to the Governance and Audit Committee with updates providing assurance on the effectiveness of the Council's arrangements.

- The strategic risks and controls are tracked using software which provides real time presentation.

Internal Audit identified some improvements to the risk process which included work to further embed the discussion of risk within Committee meetings and to include risk training as part of the induction process.

Fraud risk is prevalent across all Local Authorities and as part of good risk management practice a regular review of fraud risk and associated mitigations should be undertaken and subject to oversight at the Corporate Management Team(CMT) and Governance & Audit Committee.

We are recommending that an up-to-date fraud risk register is presented to the Governance and Audit Committee and forms part of the regular reporting and overview of risk management.

Risk Management Assurance



Assessed as Performing Adequately

Internal Control



We take account of the outcome of our audit work during the 2022/23 year. The assurance levels give insight into the Council's control environment.

Our opinion is based on the outcome of our internal audit work and the combined assurance work as well as other sources.

During the year 2022/23 we reviewed the following areas:

- Good Governance – Substantial Assurance
- Risk Management - Substantial Assurance
- Cyber Security – Substantial Assurance
- Health and Safety – Substantial Assurance
- Programme Management – Consultancy
- Housing Voids issues Substantial Assurance
- Housing Voids performance – Limited Assurance

The limited assurance awarded to housing voids performance was determined by the service reporting that they were missing performance targets and that planned improvements had not had time to fully embedded.

Internal audit made 94 high, medium and low priority recommendations for improvement. 66 actions were agreed to address these. The difference in number is due to some management actions covering more than one audit recommendation.

As of September 2023, of the 66 management actions referred to above, **53%** had been implemented. Internal audit will continue to monitor the outstanding actions and report results within future progress reports.

See **appendix 1** for full details of audits completed during the year.

The outcome of our internal audit work, the self-assessment of the combined assurance work and intelligence gathered through reviewing further documents provided by the Council and within the public domain has been considered in the Head of Internal Audit's opinion on internal control.

Internal Control Assurance



Assessed as Performing Adequately



Our audit plans include providing assurance over our key financial systems, the level of risk influences frequency.

Our work provides an important assurance element to support the External Auditor's opinion on the Council's Statement of Accounts.

During the year internal audit reviewed the following finance services -

- Capital Programme - Substantial
- Accounts Payable – Substantial
- Accounts Received – Low Assurance

Arising from the accounts receivable assurance review, a number of issues were identified. These included:

- No internal policy for management of sundry debts.
- Limitations in enabling segregation of duties.
- A lack of approval process, checking and monitoring of credit notes.
- No reporting, monitoring or checking of bad debt write-offs.
- Breach of financial procedure rules in respect of approving the writing off for bad debts.
- Weaknesses in the processes for setting up and approving new customers.
- Lack of monitoring and reporting of refunds.
- Inaccurate performance monitoring data.

Internal audit are recommending that the Annual Governance Statement's action plan is updated to include the details of finding and actions arising from the accounts receivable. And that the Governance and Audit Committee receive regular action plan updates.

CIPFA's Financial Management Code (FM Code) sets out the minimum standards of financial management councils should achieve.

Management have carried out a self assessment against the FM Code and identified several areas for improvement.

An action plan to address these was reported to the Governance and Audit Committee in January 2022. It stated that six monthly progress reports would be provided to monitor progress against actions. Internal audit could not evidence that any further reports had been provided to the Governance and Audit Committee to enable the committee to monitor progress made in line with the action plan. This lack of formal reporting relating to financial controls, has impacted upon the Head of Internal Audit's opinion for financial controls.

Management have confirmed the action plan is due to form part of the 2023/24 Governance and Audit Committee work plan to allow commencement of oversight and monitoring of improvement action from the previous financial year.

Information seen by the internal audit service, after it had been released to the public, demonstrated that financial controls had not been sufficient to identify concerns operating within the market service operations. The lack of transparency around the inadequacies of financial controls has impacted upon the Head of Internal Audit's opinion for financial controls.

Financial Control



Our audit plans include providing assurance over our key financial systems, the level of risk influences frequency.

Our work provides an important assurance element to support the External Auditor's opinion on the Council's Statement of Accounts.

The external auditors report for 21/22 was not finalised at the time of writing this report. This is due to nationwide ongoing delays through the external audit process. The interim report was shared with the Governance and Audit Committee in November 2022.

Although not complete the report indicated no significant issues and anticipating an unqualified audit opinion on the financial statements.

Financial Control Assurance



**Assessed as
Improvement Needed**

Our Work



The Council is responsible for establishing and maintaining risk management processes, control systems and governance arrangements. Internal Audit plays a vital role in providing *independent risk based and objective assurance* and *insight* on how these arrangements are working. Internal Audit forms part of the Council's assurance framework.

Scope of Work

Internal audit's risk-based delivery plan was prepared considering the critical activities and key risks to support the basis of the head of Internal Audit's annual opinion. The plan has remained flexible to enable audit to respond to any emerging risks or provide assurance on activities that increase in priority.

The Governance and Audit Committee approved the 2022/23 original audit plan of 142 days in March 2022. The internal audit service delivered 97% of the revised plan. More details on the plan can be found in appendix 1.

Restriction on Scope

During 2022-23, when carrying out internal audit work no unexpected restrictions to the scope of our work were identified.

During 2023-24, when collating and reviewing information to inform the Internal Audit Annual Report, documentation requested was withheld from the Head of Internal Audit. A subsequent report and action plan were placed into the public domain. Internal audit were, at this point, able to consider the report and actions in the Annual Audit Opinion from this point. As a result of the publication timings, this did not restrict the assessment on the adequacy of governance, risk and internal control.

There were changes made to the planned audits throughout the year. These included postponing the Housing Income and HRA Building Programme reviews. Management have requested that housing income is included in the 2023/24 plans.

Our Work



Internal Audit's role include advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

Other Significant Work

During the year audit staff have worked with the Council to develop the assurance mapping process. Auditors have met with managers to map the Council's critical areas, projects, risks and partnerships.

Internal audit will look to further develop the process, with management support, to ensure that effective assurance and risk oversight strengthen the monitoring of governance and control.

During the assurance work, the following areas were self-assessed as having a low assurance:

Culture and Leisure service

- Street lighting
- Wyndham Park Visitor Centre, facilities and volunteers.

Planning and Economic Development service

- Building Control.

Operations and Public Protection service

- Workshop / fleet maintenance.

Key Projects

- St Martins Park



We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards (PSIAS). We continually focus on delivering high quality audit to our clients.

Quality Assurance

Audit's commitment to quality begins with the recruitment, development and deployment of appropriately skilled and knowledgeable professionals to undertake your audits.

The internal audit service is fully compliant with the Public Sector Internal Audit Standards. To ensure compliance with the Standards we deliver training across the team and have plans in place to monitor expected improvements within our audit quality and delivery.

During 2022/23 Assurance Lincolnshire continued to build upon the strong focus on developing the next generation of audit and risk professionals. To achievement this the service has:

- Recruited new audit officers and seniors for our audit team.
- Enrolled six colleagues on an IIA approved apprenticeship where they are working towards a professional audit qualification.
- Realigned our team's client coverage to strengthen client understanding and liaison.

Current audit practice includes ongoing quality reviews for each of our assignments. These reviews examine the work undertaken, from initial planning through to evidence sufficiency and quality reporting. Internal performance indicators have been specified which include the

assignment being completed on time, within budget and to the required quality standard.

Assurance Lincolnshire continues to reassess the approach to planning and understanding risk with the intention of improving work quality and timeliness of delivery.

All public sector internal audit services are required to measure how well they conform to the UK Public Sector Internal Audit Standards. An External Quality Assessment must be undertaken every 5 years; Assurance Lincolnshire's second external assessment was undertaken in February 2022. They concluded that:

"the Assurance Lincolnshire Partnership's self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note".

No significant improvement recommendations were made. The final report from the External Quality Assessment was shared with the Committee.



We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards (PSIAS). We continually focus on delivering high quality audit to our clients – seeking opportunities to improve where we can.

Quality Assurance

Our quality assurance framework helps us to maintain a continuous improvement plan, which comprises of the following:

- **Workforce strategy** – building capacity and growing our own talent in both leadership and professional skills
- **Improving the audit process** - working with client senior management to improve progress and delivery of audits in a remote (hybrid) working environment
- **Continuing professional development** - around new and emerging practice guidance
- **Enhance digital capabilities** - in line with our digital strategy, including data analytics

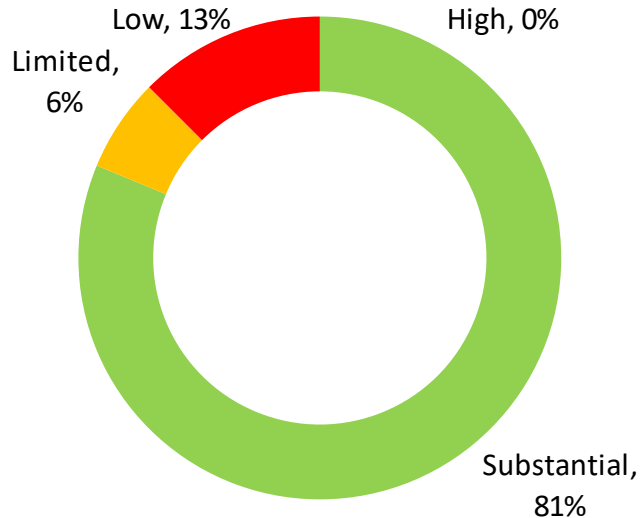
External Audit

Although internal and external auditors carry out their work with different objectives in mind, many of the processes are similar and it is good professional practice that they should work closely together. Where possible, external audit may use the results of internal audit work where it is appropriate.

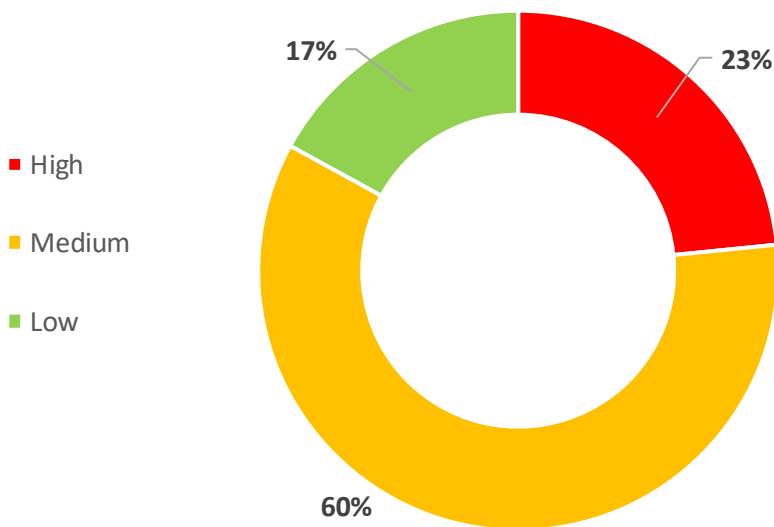


The assurance levels and type of recommendations give an insight on the application of the Council's control environment and forms part of the evidence that helped inform the overall annual opinion.

Assurances



Recommendations



Further details can be found at appendix 1



Internal Audit's performance is measured against a range of indicators. The table at Appendix 3 shows our performance on key indicators at the end of the year. We are pleased to report a good level of achievement in delivery of the revised plan and the added value of our work.

Performance on Key Indicators

100%

Of revised
plan delivered

53%

Of agreed
actions
implemented

100%

Of key financial
systems
delivered

The audit plan originally agreed by the Audit & Governance Committee was for 142 days. A small number of audits were removed from the original audit plan leaving 130 days in the revised plan. This was due to re-prioritising audit resources to those areas of highest risk.

Below are the areas that were removed from the original plan:

- Housing Income
- HRA Building Programme

The annual audit plan remains flexible with a process to postpone and change audits. This means we can adapt our plan to support emerging risks and priority changes whilst maintaining control and transparency. All changes must be approved by management and the Governance and Audit Committee.

Performance on Key Indicators

Performance Indicator	Annual Target	Actual
Percentage of plan completed (based on revised plan)	100%	97%
Percentage of recommendations agreed	100%	100%
Percentage of recommendations implemented	100% or escalated	53%
Timescales:		
Draft Report issued within 10 days of completion	100%	50%*
Final Report issued within 5 days of management response	100%	67%*
Draft Report issued within 2 months of fieldwork commencing	80%	50%**

*Capacity within the Audit Team resulted in three draft reports and two final reports not being turned around as quickly as expected.

**The reasons include capacity within the Audit Team (2), client delays (1). The other was a consultancy piece of work.

High

Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.

The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.

Substantial

Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.

Limited

Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and/or performance.

The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.

Low

Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are either gaps in the control framework managing the key risks, or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore, the risk of the activity not achieving its objectives is high.

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Head of Internal Audit Annual Opinion

The rating, conclusion and/or other description of results provided by the Head of Internal Audit addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Head of Internal Audit based on the results of a number of individual engagements and other activities for a specific time interval.

Governance

Comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management - plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Impairment

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).

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**SOUTH
KESTEVEN
DISTRICT
COUNCIL**



Governance and Audit Committee

26 September 2023

Report of the Leader of the Council

Management Response to the Internal Audit Annual Report 2022/23

Report Author

Richard Wyles, Deputy Chief Executive and s151 Officer

 richard.wyles@southkesteven.gov.uk

Purpose of Report

This report has been prepared to respond to the Internal Audit Annual Report 2022/23 that is scheduled to be presented to Governance and Audit Committee.

Recommendations

- 1. Governance and Audit Committee is asked to note the contents of this report in conjunction with the Internal Audit Annual Report 2022/23.**

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	High performing Council
Which wards are impacted?	All

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

1.1 There are no specific financial comments arising from this report.

Completed by: Alison Hall-Wright, Assistant Director of Finance

Legal and Governance

1.2 As set out in Article 9 of Part 2 of the Constitution, one of the functions of the Governance and Audit Committee is to receive the annual report and opinion of the Head of Internal Audit. The Governance and Audit Committee is therefore invited to consider and note the content of the report by the Head of Internal Audit, attached separately as part of this agenda item.

1.3 Additionally, the Committee is invited to consider the content of this report which sets out responses on behalf of the Council's senior management to the Head of Internal Audit's report.

Completed by: Graham Watts, Assistant Director of Governance and Monitoring Officer

Risk and Mitigation

1.4 It is important that Internal Audit Annual Report reflects accurately the Council's governance, risk, and control framework.

Completed by: Tracey Elliott, Governance and Risk Officer

2. Background to the Report

2.1 Each year the Council receives an annual audit report from the appointed internal auditors that provides an opinion on the adequacy and effectiveness of the Council's systems of internal control, governance and risk management and the body of evidence to support the opinion. The overall purpose being:

- Provide the Head of Internal Audit annual internal audit opinion which is based on an objective assessment of the framework of the Council's governance, risk management and control. This opinion is an integral part of the Council's

governance framework, providing assurance to inform the Annual Governance Statement, and identifying improvement opportunities.

- Summarise the activities of internal audit for the period under review.
- Highlight any areas of significant risk exposure requiring improvement to enhance the internal control framework.
- Consider the performance and contribution of the Internal Audit service

Annual Report

Appendix 1 of the Annual Report details that during the last financial year eight assurance reviews were undertaken of which six received positive assurance and two were classified as lower assurance opinions.

In overall terms the Annual Report is welcomed by senior management and the report captures the positive work undertaken during the last financial year to strengthen and maintain the governance framework. However, there has been an ongoing difference of opinion between senior management and Assurance Lincolnshire (AL) since the report was produced in respect of the financial control assurance. A draft annual report was received on 1 June 2023 (although incomplete as awaiting completion of the Accounts Receivable (Debtors) report) and officers immediately requested a meeting with AL to discuss the contents of the report.

A meeting took place with AL on 7 June 2023 in which concerns were raised by senior management on the accuracy and contents of the draft report. A final version was received on 21 July 2023 with only minor changes and no changes to the areas of concern.

Specifically, concerns were expressed by senior management regarding the overall rating awarded to the financial control assurance 'assessed as improvement needed'. It is considered that the rating given is not proportionate to the overall findings of the three specific internal audits that were undertaken to provide the Head of Internal Audit the necessary evidence.

The areas selected by AL were Capital Programme, Accounts Payable and Accounts Receivable. Given the assurance levels given by AL (detailed below) senior management contacted the Head of Internal Audit to ask for reconsideration of the financial control rating to take into consideration a broader perspective of the financial control framework as it appeared that the accounts receivable scoring has had a disproportionate impact on the overall financial control assurance.

In detail the audits undertaken by AL within the financial control heading are:

- Capital Programme – substantial assurance given, 4 recommendations
- Accounts Payable – substantial assurance given, 1 recommendation

- Accounts Receivable (Debtors) – low assurance given, 9 recommendations

In terms of context, and notwithstanding the fact that management do not agree with some of the risk scores given to the Accounts Receivable audit, concern was expressed that proportionally accounts receivable only accounts for 1.9% of the overall collectable debt the Council raised in the financial year 2022/23.

Moreover, of the three audits undertaken, the audited Capital Programme had a combined budget of £32m, Accounts Payable £43m whilst Accounts Receivable is only £3.2m.

The request for reconsideration of the rating was not supported by AL and further narratives in the report were given as contributory reasons for the financial scoring. These were referenced as the Financial Code commentary and the Markets Action Plan.

Within the narrative under the Financial Control section, reference is made to the Financial Management Code report that was presented to the Committee on 26 January 2022. This was part of the 2021/22 audit report and should not feature, or have any impact, on the 2022/23 opinion. In addition, the minuted action from the meeting was:

That the Governance and Audit Committee noted the progress made in respect of the Financial Management Code Action Plan.

Whilst the report presented to Members suggested that six monthly reports could be provided, this is not supported by the Committee (as detailed in the published minute). Therefore, the commentary in the Annual Report regarding six monthly updates was not requested by the Committee and is therefore an incorrect comment.

The report also includes references to the Markets Action Plan and financial controls. The report was presented to the Committee on 14 June 2023 and so should not feature in the 2022/23 annual report. The Market Action Plan did not identify any financial control issues, or financial irregularities, and therefore has no impact on the financial opinion in any event.

Accounts Receivable (Debtors)

Management has disputed the ratings from this audit since the draft was produced. A meeting was requested by management and took place in an attempt to mediate a re-drafting of the report, and its findings, to more accurately reflect the assurance levels presented by AL. Unfortunately, this did not result in any material change to the ratings given but management has provided its rating status alongside each of the actions.

In summary of the 40 actions agreed, 18 have been completed, 9 are in progress and the remaining 13 are system limitations which will be resolved once the new accounts receivable system is live in April 2024.

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SOUTH
KESTEVEN
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COUNCIL



Governance and Audit Committee


26 September 2023

Report of Councillor Philip Knowles,
Cabinet Member for Corporate
Governance and Licensing

Start times of Council meetings

Report Author

Graham Watts, Assistant Director of Governance and Monitoring Officer

 Graham.watts@southkesteven.gov.uk

Purpose of Report

The Governance and Audit Committee is requested to consider the results of a survey to all Members of the Council in respect of start times of the Council's public meetings.

Recommendations

That the Governance and Audit Committee:

- 1. Gives due consideration to the results of the survey to all Members of the Council on the start time of the Council's public meetings.**
- 2. Considers whether or not to make a formal recommendation to the Council's Head of Paid Service regarding any proposed changes to start times of meetings.**

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	High performing Council
Which wards are impacted?	All wards

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 There may be financial implications arising from changes to the timing of meetings this report. However it is not considered that these would be of a material nature.

Completed by: Richard Wyles, Chief Finance Officer and Section 151 Officer

Legal and Governance

- 1.2 Paragraph 6.1 of the Council's Constitution states that the time and place of meetings will be determined by the Chief Executive and notified in the summons. The Chief Executive is the Council's Head of Paid Service and has responsibility for the authority's management structure and deployment of Officers.

Completed by: Graham Watts, Assistant Director of Governance and Monitoring Officer

Human Resources

- 1.3 Any proposal to hold meetings outside of the Council's normal office opening hours would require the Head of Paid Service to give due consideration to a number of potential impacts. These would include potential changes to the contractual terms of employment requiring Union consultation. Agreement would need to be reached on work patterns, statutory rest periods and individual circumstances such as flexible working arrangements or part time contracts. This would also involve an Equality Impact Assessment to ensure any potential changes are fair and do not present barriers or disadvantage protected groups.

Completed by: Fran Beckitt, Head of HR

2. Background to the Report

- 2.1 At the Annual Meeting of the Council held on 18 May 2023 consideration was given to the authority's committee structure. During this item, discussion ensued on the subject of the start time of meetings of Full Council and it was agreed that this matter be referred to the Governance and Audit Committee for further consideration.
- 2.2 At its meeting on 14 June 2023 the Governance and Audit Committee agreed to conduct a survey to all Members of the Council regarding their preferred start times for all meetings of the Council.
- 2.3 This report sets out the results of the survey.

3. Key Considerations

- 3.1 The Council's Constitution states that the time and place of meetings will be determined by the Chief Executive. The Chief Executive is the Council's Head of Paid Service and has responsibility for the authority's management structure which includes the deployment of Officers.
- 3.2 Meetings of Full Council have commenced at 1pm at South Kesteven District Council over the last two or three years and had previously commenced at 2pm.
- 3.3 Start times of meetings for Cabinet and other committees of the Council currently vary from 10am to 2pm.
- 3.4 A survey was sent to all Members of the Council and was open for two weeks to seek their views on preferred start times for meetings. 35 Members out of the Council's 56 completed the survey, equating to a 62.5% response rate.
- 3.5 The survey specifically asked Members their opinion regarding the start time of meetings of Full Council, Cabinet and other committees, seeking to establish whether the current timings should be changed, their preference for an alternative time and the reason for proposing a change, if necessary.
- 3.6 A full overview of the results to each question contained in the survey is attached at **Appendix A** to this report.

Full Council

- 3.7 Of those who took part in the survey, 52.94% of respondents suggested a change in the start time of meetings of Full Council. 41.18% thought that the existing start time should not change, whereas 5.88% were not sure or did not know.
- 3.8 From the 19 Councillors who answered the next question, 31.58% suggested a new start time of 2pm for meetings of Full Council. 26.32% jointly suggested start times of 10am and 4pm with 5.25% of respondents each suggesting 5pm, 6pm and 7pm respectively.

Cabinet

- 3.9 With regard to the start time for Cabinet, 54% of respondents thought that the current start time should remain the same, with 11.43% indicating that it should be changed and 34.29% stating they did not know or were not sure.
- 3.10 25% of respondents to the next question each suggested alternative start times of 11am, 4pm and 6pm as well as retaining the existing time of 2pm.

Other Committees

- 3.11 In terms of the start times for other committees, 57.58% of respondents did not wish for any changes to be made, with 27.27% indicating that they should be changed and 15.15% of respondents stating they did not know or were not sure.
- 3.12 30% of those who answered the next question each suggested alternative start times of 10am and 2pm, with 10% of respondents each stating their preference as 4pm, 5pm, 6pm and 7pm respectively.
- 3.13 The Governance and Audit Committee is invited to review the results of the survey and consider whether it wishes to make any recommendations regarding the start times of Full Council, Cabinet or other committees to the Council's Head of Paid Service.

4. Other Options Considered

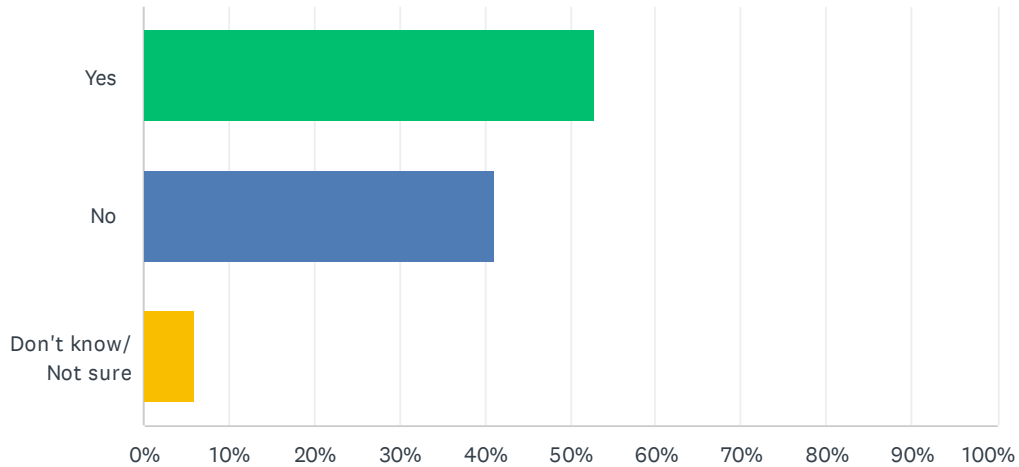
- 4.1 To make a recommendation to the Head of Paid Service regarding a change in the start times of meetings of Full Council, Cabinet or other committees.
- 4.2 To maintain the existing arrangements.

5. Reasons for the Recommendations

- 5.1 This report facilitates a referral from the meeting of Full Council held on 18 May 2023 to the Governance and Audit Committee regarding proposals for changing the start times of the Council's public meetings.

Q1 Do you think the start time for meetings of Full Council should be changed?

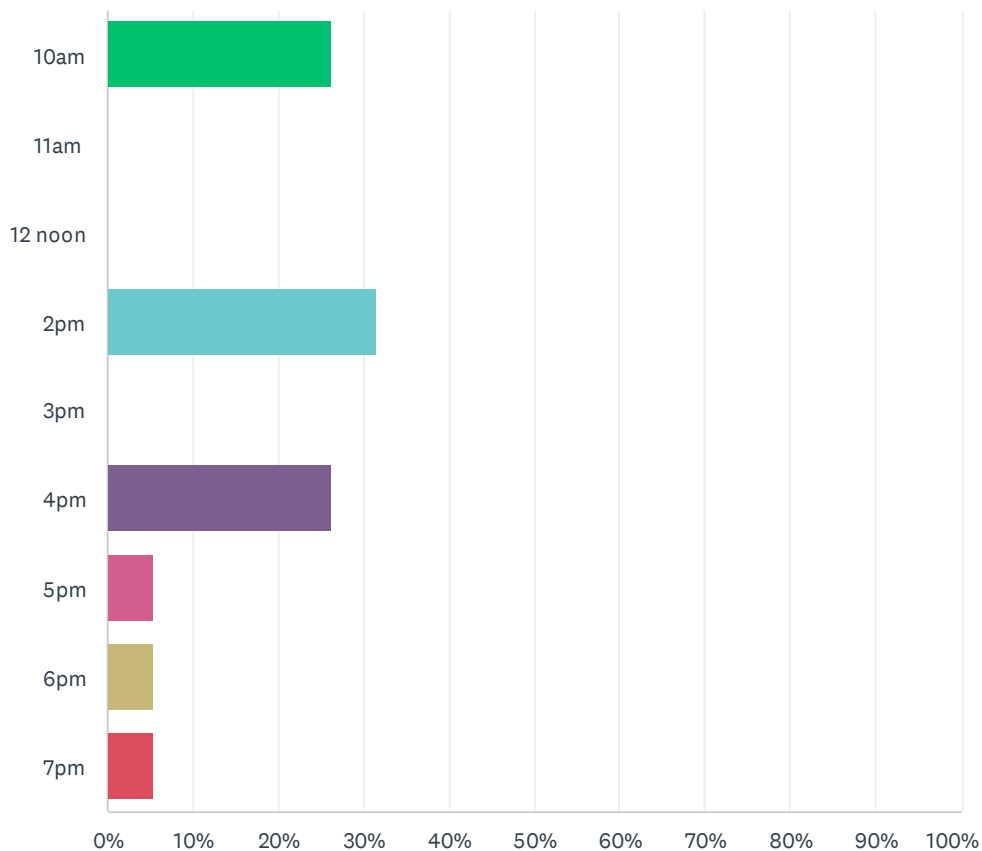
Answered: 34 Skipped: 1



ANSWER CHOICES	RESPONSES	
Yes	52.94%	18
No	41.18%	14
Don't know/ Not sure	5.88%	2
TOTAL		34

Q2 If you answered yes, would you prefer the meetings of Full Council to start at.....? Please tick one only.

Answered: 19 Skipped: 16



ANSWER CHOICES	RESPONSES	
10am	26.32%	5
11am	0.00%	0
12 noon	0.00%	0
2pm	31.58%	6
3pm	0.00%	0
4pm	26.32%	5
5pm	5.26%	1
6pm	5.26%	1
7pm	5.26%	1
TOTAL		19

Q3 Please use the space below to tell us why you have chosen this time:

Answered: 22 Skipped: 13

#	RESPONSES	DATE
1	It allows enough time for everyone with a day job in SK to get to Grantham for the meeting. This is in line with most other Districts in the county.	7/11/2023 5:58 PM
2	As the new incumbents include a number of younger people who work full time I think a later start time would facilitate more attendees and give those concerned a good chance to make the meeting.	7/11/2023 2:02 PM
3	It is far more convenient for those of us that have to request time off from work to attend.	7/7/2023 10:17 AM
4	It enable Councillors with jobs to just take half a day off instead of a full day. They used to be at 2pm and were only made earlier a few years ago to fit in with a cabinet member's childcare arrangements.	7/4/2023 4:00 PM
5	I prefer mid-morning meetings that finish around lunchtime. Currently, if Council meetings overrun, they interfere with late afternoon commitments. I do not wish Council meetings to be held in the evening - I already have too many of those.	7/4/2023 3:29 PM
6	We are aware our situation may be unique within the council. we are a couple with children who both work FTE roles with no family in the area to support with childcare. Therefore one of us needs to be able to get back to our children before 6pm. Our jobs finish around 3:30 but we would potentially only need cover for 1 or 2 lessons if things started at 2pm meaning minimal impact on pupils learning.	7/4/2023 11:16 AM
7	it would allow members to deal with the agenda, see Lincolnshire county council	7/4/2023 8:44 AM
8	If the meeting is at 1pm I have to forfeit some my morning. work in order to commute to Grantham. A 2pm start give me time to commute.	7/4/2023 1:00 AM
9	Because I have to work and it is far easier getting a couple of hours off at the end of the day than a whole afternoon.	7/3/2023 8:55 PM
10	Allows me to attend after work. Gives more access to the working public.	7/3/2023 8:43 PM
11	Enables working Cllrs to avoid having a full day off to attend meetings. I would be willing to accept any later time 5,6, or 7 pm	7/3/2023 7:20 PM
12	This allows for just a half-day to be taken from work, and allows me to collect children from childcare at 6pm	7/3/2023 1:56 PM
13	it gives more chance for the public to attend said meeting which I believe is as important as the cllrs going to said meeting	7/3/2023 1:28 PM
14	Overall, there are only 6 meetings per year with the diary dates set well in advance. Those travelling from further away are able to return home in better weather conditions than is likely in the Winter months. Attendance is usually very good. I would not want to see officers having to work into the evenings on the back of a very long day.	7/3/2023 1:21 PM
15	Evening meetings would be more accessible to members of the public.	7/3/2023 12:58 PM
16	Time limited and end at mid-day instead of going into the evening.	7/3/2023 12:27 PM
17	I would be happy with a morning start but certainly not an evening session. As a single parent with kids evening sessions would be extremely difficult.	7/3/2023 12:20 PM
18	So as not to conflict with full time job commitments	7/3/2023 12:19 PM
19	Or back to 2pm	7/3/2023 11:57 AM
20	All meetings should take place during the day, this allows all business to be conducted to conclusion plus many councillors have Parish Councils meetings in the evenings if the all	7/3/2023 11:45 AM

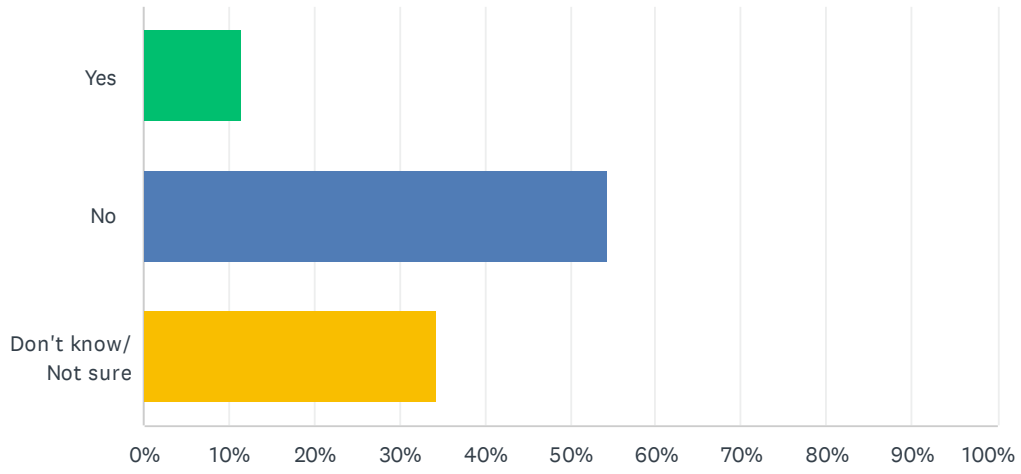
Council Meetings - Start Times

meetings are changed this will have an effect on home life balance.

21	The meetings need to be strictly time limited to end at 5pm and a 2pm start time is more than enough time. A 1pm start time means the entire day is lost which is very bad for people who work.	7/3/2023 11:36 AM
22	So that people can go about their business in the afternoon.	7/3/2023 11:32 AM

Q4 Do you think the start time for Cabinet meetings should be changed?

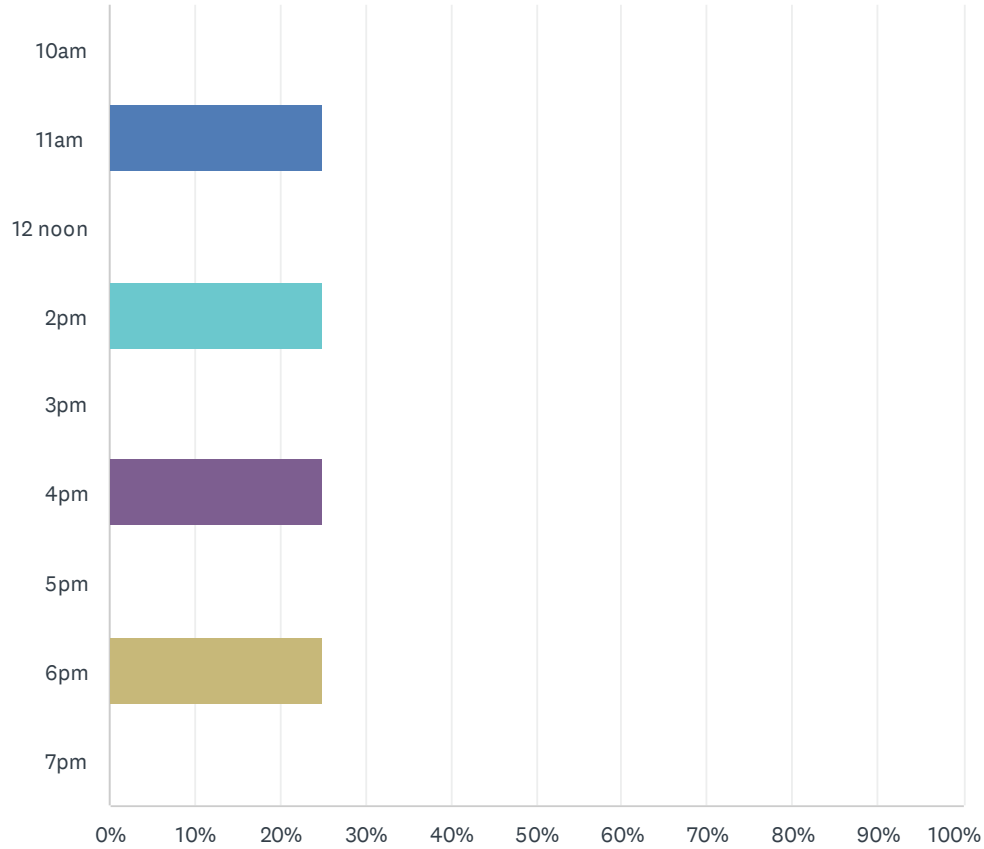
Answered: 35 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	11.43%	4
No	54.29%	19
Don't know/ Not sure	34.29%	12
TOTAL		35

Q5 If you answered yes, would you prefer Cabinet meetings to start at.....? Please tick one only.

Answered: 4 Skipped: 31



ANSWER CHOICES	RESPONSES
10am	0.00% 0
11am	25.00% 1
12 noon	0.00% 0
2pm	25.00% 1
3pm	0.00% 0
4pm	25.00% 1
5pm	0.00% 0
6pm	25.00% 1
7pm	0.00% 0
TOTAL	4

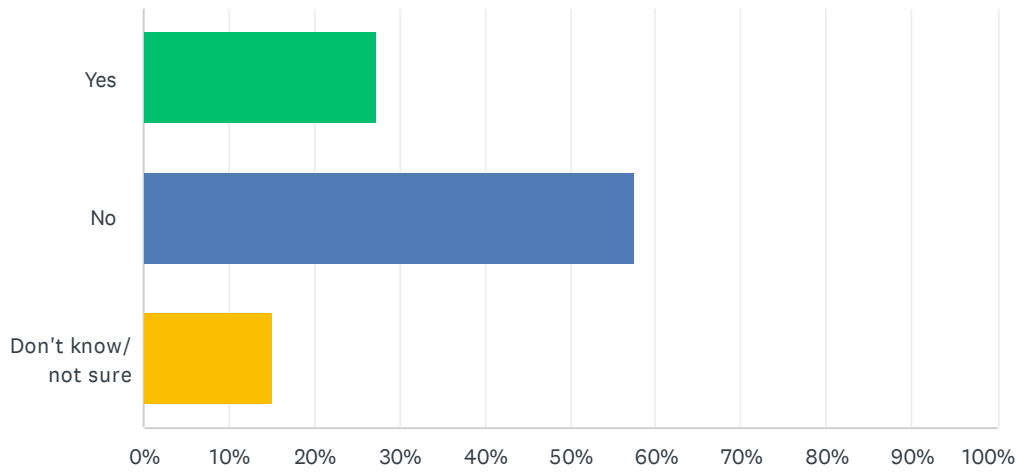
Q6 Please use the space below to tell us why you have chosen this time:

Answered: 4 Skipped: 31

#	RESPONSES	DATE
1	This should be agreed by cabinet members, I am not sure it is up to members to choose a specific time here as it does not currently impact me. However, I think that there should be flexibility around working and childcare commitments.	7/4/2023 11:17 AM
2	it would allow all councillors to attend	7/4/2023 8:45 AM
3	Having consistency allows for planning (i.e. all cabinet meetings start in the afternoon). Again, this allows for just a half-day to be taken from work	7/3/2023 1:57 PM
4	Same as above so business can be concluded plus this also means that if information is needed all officers are available to assist.	7/3/2023 11:51 AM

Q7 Do you think the start time of other committees should be changed?

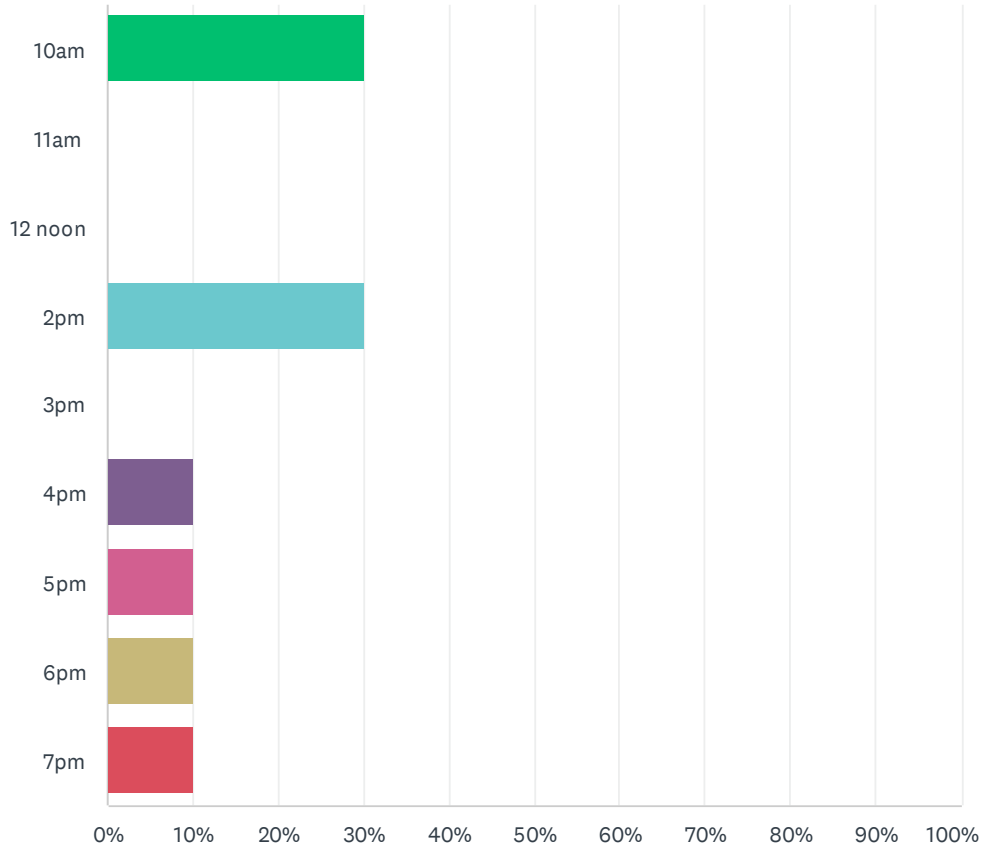
Answered: 33 Skipped: 2



ANSWER CHOICES	RESPONSES	
Yes	27.27%	9
No	57.58%	19
Don't know/ not sure	15.15%	5
TOTAL		33

Q8 If you answered yes, would you prefer the meetings of other committees to start at.....? Please tick one only.

Answered: 10 Skipped: 25



ANSWER CHOICES	RESPONSES	
10am	30.00%	3
11am	0.00%	0
12 noon	0.00%	0
2pm	30.00%	3
3pm	0.00%	0
4pm	10.00%	1
5pm	10.00%	1
6pm	10.00%	1
7pm	10.00%	1
TOTAL		10

Q9 Please use the space below to tell us why you have chosen this time:

Answered: 10 Skipped: 25

#	RESPONSES	DATE
1	A defined regular afternoon start time for scrutinies would be helpful. If full council was moved, the need for them to be in the evening would be less pressing. My comments don't apply to statutory committees, which should retain greater flexibility on timings.	7/11/2023 6:02 PM
2	Standardised 2pm meeting to bring in line with full council.	7/7/2023 10:18 AM
3	I prefer mid-morning Committee meetings for the reasons stated for Council meetings.	7/4/2023 3:31 PM
4	Allows for a half day	7/4/2023 2:14 PM
5	If only one of us has to attend it makes no real difference but if both of us do it needs to have minimal impact on the schools we work in and offer us the ability to pick up from childcare before 6pm. 10am starts require us to take off an entire day.	7/4/2023 11:17 AM
6	I think as a rule I would prefer a 2pm start for all afternoon meetings (inc planning committee) to allow time for commuting, but at present do not feel sufficiently strongly about it to say that I think that the start time should be changed	7/4/2023 1:03 AM
7	Would enable working Cllrs & members of public to attend or view online. I think the meetings would be more focused on the agenda instead of some people talking for the sake of it! So much wasted time at most meetings. Questions need to be directed and meetings managed better. Perhaps if we started later then Cllrs would not waste time.	7/3/2023 7:25 PM
8	I think the times of meetings should be varied in start time (morning/afternoon/evening) and even venue.	7/3/2023 1:05 PM
9	Fits in with other committee meetings elsewhere	7/3/2023 11:59 AM
10	I would like meetings to vary start times but please ensure the meeting takes place in a clear block of time and doesn't cross over into other blocks. For example, a morning meeting should start at a time to ensure it finishes by lunch. An afternoon meeting should finish by 5pm. An evening meeting shouldn't start until 7pm or even 7.30pm.	7/3/2023 11:40 AM

Q10 For any other comments you would like to make about meeting start times, please use the space below:

Answered: 16 Skipped: 19

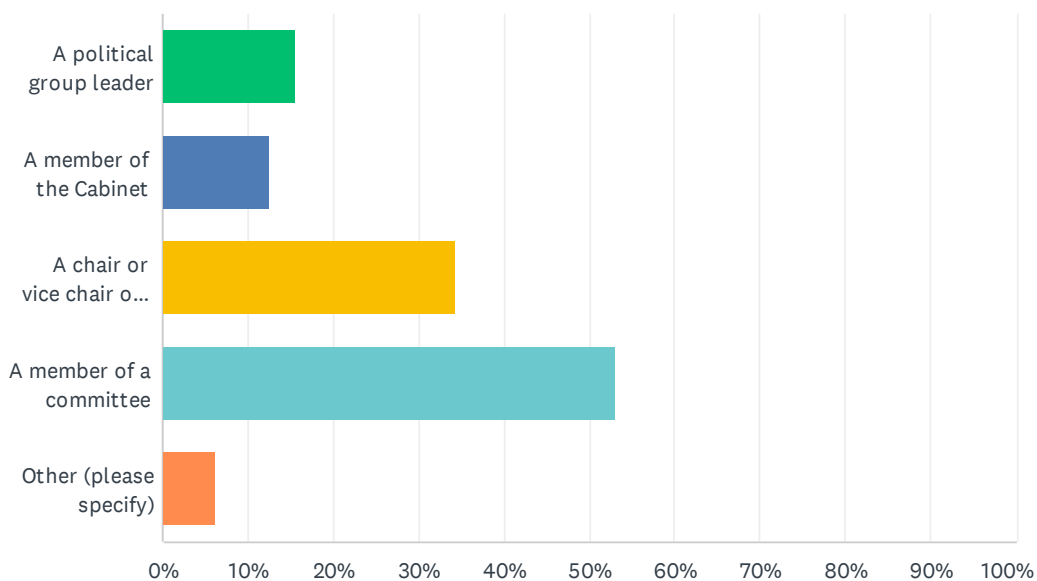
#	RESPONSES	DATE
1	No	7/11/2023 8:25 PM
2	I think Chairmen should be able to set their own start time as they understand their committee members needs better than most. Obviously this start time will be within the constraints of the availability of the rooms.	7/11/2023 2:07 PM
3	2pm starts gives reasonable balance to those that work and have to request time off. Standardised committee start times remove it being at the whim of the relevant Chair	7/7/2023 10:20 AM
4	These were the times prior to elected members application to be on council. Everyone applied knowing the required commitment needed. All meetings are held within the staff hour for executive staff	7/5/2023 5:44 PM
5	It is difficult to please everyone I personally work nights and so evening nights would be difficult for me. It is a juggle for me personally. notice for future dates are important so i can plan around family and work.	7/5/2023 10:17 AM
6	As long as I am given notice of the start time I really don't have a preference on the start time and will go with the flow of other peoples suggestions.	7/4/2023 12:11 PM
7	it would be useful to trial any new dates for a year and then to review	7/4/2023 8:47 AM
8	I think as a rule I would prefer a 2pm start for all afternoon meetings (inc planning committee) to allow time for commuting, but at present do not feel sufficiently strongly about it to say that I think that the start time should be changed	7/4/2023 1:04 AM
9	I appreciate that some councillors have less flexibility and must consider them. AM meetings not before 10am I think is important to parents and distance travellers.	7/3/2023 8:25 PM
10	We need to trial later meetings to understand if things work better for staff, Cllrs & public.	7/3/2023 7:26 PM
11	I responded that Full Council meeting times should remain at 1pm, any later would eat into previous evening time, and they do tend to go overtime. I would be happy to do earlier but certainly not later. If you commit to go on a committee, the times are generally fine although I would have to come off any committee if it was evening time as I am generally unavailable with Parish Council committee meeting coupled with family time.	7/3/2023 5:43 PM
12	We need to make meetings more accessible. Morning and daytime meetings are not accessible to people who work a traditional 9-5. We should also be able occasionally hold meetings elsewhere than Grantham.	7/3/2023 1:55 PM
13	This system is not broken and there is no need to fix it. We must think about the extra officer time that could be required if meetings were changed.	7/3/2023 1:23 PM
14	During a cost of living crisis I am saddened to see the new leadership considering the extra cost of out of hours sessions. We are here to serve the residents, not ourselves. If cabinet members with their increased allowances and some even LCC allowances can't do the hours required then they should step down from the cabinet and NOT increase public costs.	7/3/2023 12:53 PM
15	All meetings should take place during business hours, this is when the officers are at work so less disruption plus all new councillors were told before the election about the level of time to carry out the role. I am a new councillor & have made time in my life to carry out the role.	7/3/2023 11:56 AM
16	We need many more Friday meetings - that is the day when most working people have most flexibility. Just because the leader of the council at the time happens to be a multi-hatting councillor or happens to work for the MP and wants to keep Fridays free or happens to have a	7/3/2023 11:44 AM

Council Meetings - Start Times

heavy diary of social engagements on a Friday should not dictate the meetings calendar for the other 55 councillors.

Q11 Please tell us if you are.... (Please tick all that apply)

Answered: 32 Skipped: 3



ANSWER CHOICES	RESPONSES
A political group leader	15.63% 5
A member of the Cabinet	12.50% 4
A chair or vice chair of a committee	34.38% 11
A member of a committee	53.13% 17
Other (please specify)	6.25% 2
Total Respondents: 32	

#	OTHER (PLEASE SPECIFY)	DATE
1	councillor	7/4/2023 8:47 AM
2	Councillor	7/3/2023 12:29 PM

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SOUTH
KESTEVEN
DISTRICT
COUNCIL



Governance and Audit Committee


26 September 2023

Councillor Philip Knowles, Cabinet
Member for Corporate Governance and
Licensing

Local Government and Social Care Ombudsman – Annual Review Letter 2022-23

Report Author

Graham Watts, Assistant Director of Governance (Monitoring Officer)

 Graham.watts@southkesteven.gov.uk

Purpose of Report

To report the content of the Local Government and Social Care Ombudsman's Annual Review Letter for 2022-23.

Recommendations

That the Committee notes the content of the Local Government and Social Care Ombudsman's Annual Review Letter for 2022-23.

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	High performing Council
Which wards are impacted?	All

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

1.1 There are no specific finance or procurement implications arising from this report.

Completed by: Richard Wyles, Section 151 Officer

Legal and Governance

1.2 There are no specific legal and governance implications arising from this report.

Completed by: Graham Watts, Assistant Director of Governance and Monitoring Officer

2. Background to the Report

2.1 The Local Government and Social Care Ombudsman is responsible for investigating complaints about Councils, all adult social care providers and some other organisations providing local public services.

2.2 The Ombudsman would expect a complainant to have gone through all of the stages of an organisation's own complaints process before receiving a complaint on any matter.

2.3 Any complaint to the Ombudsman must be about something it has authority to investigate and in most cases a complainant should:

- Complain to the Ombudsman within 12 months of becoming aware of the matter

- Have been directly affected by the matter and suffered a ‘personal injustice’

2.4 This report sets out the content of the Ombudsman’s Annual Review Letter for 2022 for South Kesteven District Council.

3. Key Considerations

3.1 The Local Government and Social Care Ombudsman’s Annual Review Letter covers a twelve-month period up to 31 March 2023. This is attached to the report at **Appendix A**.

3.2 The Annual Review Letter focuses on three key areas that help to assess the Council’s commitment to put things right when they go wrong. These are:

- Complaints upheld
- Compliance with recommendations
- Satisfactory remedy provided by the Authority

3.3 Ten complaints were considered by the Ombudsman during the period of the Annual Review Letter, broken down into the following areas:

- Planning and Development – 5 complaints
- Data and Information Governance – 1 complaint
- Environmental Services and Anti-Social Behaviour – 1 complaint
- Grounds Maintenance – 1 complaint
- Monitoring Officer – 1 complaint
- Private Housing – 1 complaint

3.4 Of these ten complaints, the Annual Review Letter reports that for South Kesteven District Council:

- The Ombudsman carried out **three** detailed investigations during the period
- The Ombudsman upheld **one** complaint following a detailed investigation during this period
- No recommendations were due for compliance in this period

3.5 The complaint upheld by the Ombudsman following a detailed investigation related to enforcement action associated with a housing developer’s compliance with planning conditions. The Ombudsman ruled that the Council was at fault for a delay in responding to the enforcement complaint, but that it did not cause significant injustice and there was no fault in the Council’s decision-making. The decision notice associated with this complaint is attached at **Appendix B** to this report.

- 3.6 Further statistical information for South Kesteven District Council and comparisons with other Local Authorities can be viewed via the following link:

<https://www.lgo.org.uk/your-councils-performance>

- 3.7 A copy of the Annual Review Letter as attached at Appendix A to this report.

4. Other Options Considered

- 4.1 No other options are considered other than to note the report.

5. Reasons for the Recommendations

- 5.1 The report is for noting.

6. Appendices

- 6.1 Appendix A – The Local Government and Social Care Ombudsman’s Annual Review Letter 2022-23
- 6.2 Appendix B – Decision Notice: Reference 21 013 958

19 July 2023

By email

Ms Bradford
Chief Executive
South Kesteven District Council

Dear Ms Bradford

Annual Review letter 2022-23

I write to you with your annual summary of complaint statistics from the Local Government and Social Care Ombudsman for the year ending 31 March 2023. The information offers valuable insight about your organisation's approach to complaints. As always, I would encourage you to consider it as part of your corporate governance processes. As such, I have sought to share this letter with the Leader of your Council and Chair of the appropriate Scrutiny Committee, to encourage effective ownership and oversight of complaint outcomes, which offer such valuable opportunities to learn and improve.

The end of the reporting year, saw the retirement of Michael King, drawing his tenure as Local Government Ombudsman to a close. I was delighted to be appointed to the role of Interim Ombudsman in April and look forward to working with you and colleagues across the local government sector in the coming months. I will be building on the strong foundations already in place and will continue to focus on promoting improvement through our work.

Complaint statistics

Our statistics focus on three key areas that help to assess your organisation's commitment to putting things right when they go wrong:

Complaints upheld - We uphold complaints when we find fault in an organisation's actions, including where the organisation accepted fault before we investigated. We include the total number of investigations completed to provide important context for the statistic.

Over the past two years, we have reviewed our processes to ensure we do the most we can with the resources we have. One outcome is that we are more selective about the complaints we look at in detail, prioritising where it is in the public interest to investigate. While providing a more sustainable way for us to work, it has meant that changes in uphold rates this year are not solely down to the nature of the cases coming to us. We are less likely to carry out investigations on 'borderline' issues, so we are naturally finding a higher proportion of fault overall.

Our average uphold rate for all investigations has increased this year and you may find that your organisation's uphold rate is higher than previous years. This means that comparing uphold rates with previous years carries a note of caution. Therefore, I recommend comparing this statistic with that of similar organisations, rather than previous years, to better understand your organisation's performance.

Compliance with recommendations - We recommend ways for organisations to put things right when faults have caused injustice and monitor their compliance with our recommendations. Failure to comply is rare and a compliance rate below 100% is a cause for concern.

Satisfactory remedy provided by the authority - In these cases, the organisation upheld the complaint and we were satisfied with how it offered to put things right. We encourage the early resolution of complaints and credit organisations that accept fault and find appropriate ways to put things right.

Finally, we compare the three key annual statistics for your organisation with similar authorities to provide an average marker of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

Your annual data, and a copy of this letter, will be uploaded to our interactive map, [Your council's performance](#), on 26 July 2023. This useful tool places all our data and information about councils in one place. You can find the detail of the decisions we have made about your Council, read the public reports we have issued, and view the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

Supporting complaint and service improvement

I know that complaints offer organisations a rich source of intelligence and insight that has the potential to be transformational. These insights can indicate a problem with a specific area of service delivery or, more broadly, provide a perspective on an organisation's culture and ability to learn. To realise the potential complaints have to support service improvements, organisations need to have the fundamentals of complaint handling in place. To support you to do so, we have continued our work with the Housing Ombudsman Service to develop a joint complaint handling code that will provide a standard for organisations to work to. We will consult on the code and its implications prior to launch and will be in touch with further details.

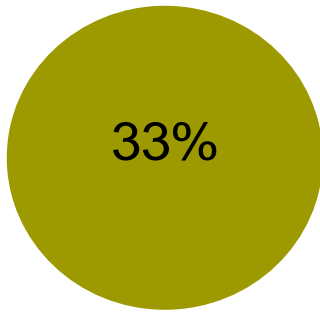
In addition, our successful training programme includes practical interactive workshops that help participants develop their complaint handling skills. We can also offer tailored support and bespoke training to target specific issues your organisation might have identified. We delivered 105 online workshops during the year, reaching more than 1350 people. To find out more visit www.lgo.org.uk/training or get in touch at training@lgo.org.uk.

Yours sincerely,



Paul Najsarek
Interim Local Government and Social Care Ombudsman
Interim Chair, Commission for Local Administration in England

Complaints upheld



33% of complaints we investigated were upheld.

This compares to an average of **59%** in similar organisations.

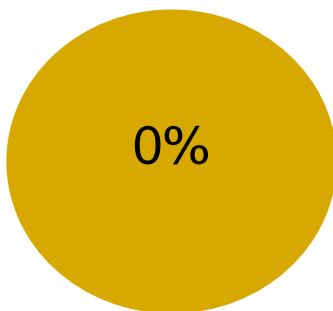
1
upheld decision

Statistics are based on a total of **3** investigations for the period between 1 April 2022 to 31 March 2023

Compliance with Ombudsman recommendations

No recommendations were due for compliance in this period

Satisfactory remedy provided by the organisation



In **0%** of upheld cases we found the organisation had provided a satisfactory remedy before the complaint reached the Ombudsman.

This compares to an average of **15%** in similar organisations.

0
satisfactory remedy decisions

Statistics are based on a total of **1** upheld decision for the period between 1 April 2022 to 31 March 2023

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The Ombudsman's final decision

Summary: Mr X complained the Council failed to ensure a housing developer complied with planning conditions and allowed work to take place without a construction management plan. He also said the Council failed to take effective enforcement action. The Council was at fault for a delay responding to Mr X's enforcement complaint, but it did not cause significant injustice. There was no fault in the Council's decision-making.

The complaint

1. Mr X complained the Council failed to ensure a housing developer complied with planning conditions and allowed work to take place without a construction management plan. He also said the Council failed to take effective enforcement action.
2. Specifically, Mr X complained:
 - a) The developer did not include details about play equipment in a discharge of condition application relating to the CMP, hard landscaping, boundary treatments, and solar panel details for phase D of development.
 - b) The Council discharged all conditions except the construction management plan (CMP). Despite this, the developer started building and it took the Council 8-10 weeks to take action.
 - c) The developer put in a revised CMP application which the Council discharged in just three weeks. He said the Council also passed an application about a pumping station and sub-station in under a month. He said these decisions were approved too quickly, without consultation, and should have gone back to the planning committee as they represent significant deviations from the approved plans.
 - d) Five planning breaches remain but the Council will not act because the developer is working towards correcting matters. There are significant safety issues because the adoptable pavements and roadways are still incomplete. There is also flood risk because drainage is incomplete.
 - e) The developer sold his home as including solar panels as part of sustainable development, but the developer has not installed them and has now removed them from plans.

-
- f) The developer has significantly reduced the public space on site by installing a pumping station and sub-station. Mr X questions whether the development still meets the minimum requirements for open space.
 3. Mr X said this resulted in missing essential public amenities, incomplete and dangerous footpaths and roads, and work going ahead uncontrolled.

The Ombudsman's role and powers

4. We investigate complaints of injustice caused by 'maladministration' and 'service failure'. I have used the word fault to refer to these. We consider whether there was fault in the way an organisation made its decision. If there was no fault in the decision making, we cannot question the outcome. (*Local Government Act 1974, section 34(3), as amended*)
5. If we are satisfied with an organisation's actions or proposed actions, we can complete our investigation and issue a decision statement. (*Local Government Act 1974, section 30(1B) and 34H(i), as amended*)

How I considered this complaint

6. As part of the investigation I have considered the following:
 - The complaint and the documents provided by the complainant.
 - Documents provided by the Council and its comments in response to my enquiries.
 - Town and Country Planning (Development Management Procedure) (England) Order 2015
 - The National Planning Policy Framework.
 - Planning Practice Guidance.
 - The Council's Development Management Enforcement Policy (February 2017).
7. Mr X and the Council had an opportunity to comment on my draft decision. I considered any comments received before making a final decision.

What I found

Decision making in planning

8. All decisions on planning applications must be made in accordance with the council's development plan, unless material considerations indicate otherwise.
9. Material considerations relate to the use and development of land in the public interest, and not to private considerations such as the applicant's personal conduct, covenants or reduction in the value of a property. Material considerations include issues such as overlooking, traffic generation and noise.
10. General planning policies may pull in different directions (e.g. in promoting residential development and protecting residential amenities).
11. It is for the decision maker to decide the weight to be given to any material consideration in determining a planning application.
12. Councils delegate most planning decisions to their officers. The types of decisions delegated to officers are normally set out in a council's constitution or scheme of delegation.

Amendments

13. Where planning permission is granted, developers sometimes find it necessary to make changes and sometimes this happens during the planning application process.
14. If the Council decides the changes are 'material', it may require the whole or part of the process begins again with a fresh application. However, if the changes are considered 'non-material' the Council may allow changes without re-starting the process, but only if:
 - it considers the procedural fairness of doing so. It should consider whether it might deprive any third party of the opportunity of making representations they might want to make; and
 - the nature of the application remains the same, so the amended proposal is still substantially the same as the original.
15. This type of amendment is known as a 'non-material' amendment. There is no statutory definition of what is or is not a non-material amendment. The question is one of fact and degree and a matter for the Council to decide.
16. Councils should decide non-material amendment applications within 28 days.

Planning conditions

17. Councils often apply planning conditions to a grant of planning permission to improve the quality of planning applications by mitigating any adverse effects. Planning conditions limit and control the way developers must implement planning permission.
18. To discharge a planning condition, an applicant must give a council information about how they intend to meet the condition. An applicant can apply to have all or part of a condition approved.
19. Councils should discharge planning condition applications within eight weeks.

Construction management conditions

20. Councils often impose construction management planning conditions on approvals for major developments. Typically, these conditions are aimed at reducing the impact and disruption caused by:
 - long working hours on construction sites;
 - nuisance from noise, dust, smoke and vibration; and
 - traffic from construction vehicles.
21. While construction management conditions may help lessen the harmful impact of major development, they cannot ensure it is avoided entirely. To justify formal enforcement action for this type of condition, councils usually need evidence of persistent breach of planning controls, that causes demonstrable harm to the public.

Planning enforcement

22. Councils can take enforcement action if they find planning rules have been breached. However, councils should not take enforcement action just because there has been a breach of planning control.
23. Planning enforcement is discretionary and formal action should happen only when it would be a proportionate response to the breach. When deciding whether to enforce, councils should consider the likely impact of harm to the public and

whether they might grant approval if they were to receive an application for the development or use. Government guidance encourages councils to resolve issues through negotiation and dialogue with developers.

24. Government guidance says: “Effective enforcement is important as a means of maintaining public confidence in the planning system. Enforcement action is discretionary, and local planning authorities should act proportionately in responding to suspected breaches of planning control.” (*National Planning Policy Framework July 2021, paragraph 59*)
25. Councils have a range of options for formal planning enforcement action available to them, including:
 - Planning Contravention Notices – to require information from the owner or occupier of land and provide an opportunity to rectify the alleged breach.
 - Planning Enforcement Notices – where there is evidence of a breach, to identify it and require action to remedy it.
 - Stop Notices - to prohibit activities without further delay where it is essential to safeguard the public.
 - Breach of Condition Notices – to require compliance with the terms of planning conditions already determined necessary for approval of the development.
 - Injunctions – by application to the High Court or County Court, the Council may seek an order to restrain an actual or expected breach of planning control.
26. However, as planning enforcement action is discretionary, councils may decide to take informal action or not to act at all. Informal action might include negotiating improvements, seeking an assurance or undertaking, or requesting submission of a planning application so they can formally consider the issues.

The Council’s planning enforcement policy

27. In exercising its enforcement policy, the Council aims to apply appropriate and proportionate remedies without taking formal legal action.
28. The Council will consider formal action where a party causing a breach is unwilling to comply with the Council’s suggestion of a voluntary solution.
29. The main source of the Council’s enforcement enquiries comes from reports made by members of the public.
30. The Council will inspect a site within ten working days of receiving an enquiry about a planning breach.

What happened

31. I have detailed below some of the key events leading to Mr X’s complaint. This is not intended to be a detailed account of what took place.
32. In 2017, the Council granted a developer planning permission for a new housing estate. That was after the local planning committee met to consider the application.
33. The Council’s report to the planning committee said the finished site will have extensive open space and landscaping, including a large open space with children’s play area and further significant open spaces. It said the proportion of open space is significantly higher than other recent developments in the area.
34. The approved plans included two play areas, a Local Equipped Area of Play (LEAP) and a Local Area of Play (LAP).

-
35. The development was to be completed in phases and planning permission came with several conditions, including:
 - No development on each phase shall take place until the Council approves a CMP for that phase.
 - No development on each phase shall take place until the Council approves engineering and construction details of the access roads.
 - The developer shall complete the carriageway and footway surfaces within each phase within three months of starting the penultimate house within that phase.
 - Before completing the first house on each phase, the developer shall provide details of the size, appearance, and location of solar panels.
 - Before landscaping works on each phase begin, the developer shall provide details of hard landscaping works, including play equipment.
 36. In May 2019, the developer applied for permission to make changes to the layout of some houses on site, to accommodate a pumping station and sub-station.
 37. The Council considered this was a non-material amendment application and approved the plans in June 2019. The planning case officer considered the changes would not materially alter the character of the development from the already approved plans, when looking at the overall scale and nature of the development.
 38. In October 2020, the developer asked the Council to discharge several planning conditions, including a CMP for phase A of development. The Council approved all conditions except for the CMP, which it needed more details about.
 39. Mr X contacted the Council on 15 June 2021 asking why the developer appeared to be progressing construction work on phase A of the development despite not having an approved CMP.
 40. Mr X contacted the Council again about the lack of an approved CMP in July. In August he told the Council the developer had started construction work without a CMP in place. The Council opened an enforcement case on 23 August 2021.
 41. Enforcement officers visited the site on 13 September 2021 and told the site manager that starting work without a CMP was a breach of planning control and the Council may issue a Breach of Condition Notice.
 42. The developer contacted the planning case officer for a decision to discharge the condition about the CMP. It attached an earlier Council email containing written agreement to a revised CMP. The Council approved the revised CMP for phase A on 16 September 2021.
 43. Also on 16 September 2021, Mr X complained the developer had not installed the play areas or finished the first phase roads.
 44. The Council approved the CMP on 14 October 2021.
 45. Mr X made a formal complaint about the Council's planning and planning enforcement departments on 19 October. He said he reported several breaches of planning and conditions, but the Council had not taken action. He said the developer compromised the safety and quality of life of residents.
 46. The Council sent its stage one complaint response on 10 November 2021. It said planning enforcement takes time to look into and resolve. It confirmed there was a breach because the developer had not yet delivered the hard landscaping and

LEAP. It said it asked the developer for more information about the play equipment and for a timeframe for implementation.

47. The Council accepted it should have kept Mr X aware of progress.
48. Mr X questioned why the Council would not take enforcement action to send a message to the developer. He also said the Council approved the CMP too quickly, so the public did not have a chance to comment.
49. Mr X asked the Council to inspect the LAP on 6 December 2021.
50. The Council sent its stage two complaint response on 13 December 2021. It said the action taken is in the spirit of the planning application with compromise and negotiation to ensure a suitably fitting product for the community. It said it would consider enforcement action if the developer strayed.
51. Enforcement officers visited the site on 17 December 2021. They noted unfinished roads, a site compound three metres wider than agreed, and the LAP not installed.
52. The Council spoke with the developer in February 2022. The developer agreed to send details about the play areas, and about engineering and hard landscaping, plus provide an estimate on when they can finish the road surfaces.
53. The developer sent details for the LEAP in February and for the LAP in March 2022.
54. The developer also sent the Council a timetable for road surfacing and paths in March 2022. The timetable confirms:
 - The pumping station will be in use by the end of April 2022.
 - The developer will test road cores by the end of May 2022.
 - Remedial works and final surfacing will start by September/October 2022.

My investigation

55. In response to my enquiries, the Council told me:
56. It does not actively monitor planning conditions. Its policy is to be reactive to breaches brought to its attention.
57. It has approved several discharge of condition applications and two non-material amendment applications for the development.
58. The Council is considering details for the LEAP and LAP. If approved, the Council will seek implementation as soon as possible. If refused, the Council will seek alternate details or consider serving a Breach of Condition Notice.
59. The developer has until September 2022 to start road surfacing work. If it does not meet this deadline, the Council will again consider a Breach of Condition Notice.
60. It considers the site compound is fundamentally the same as approved, though slightly wider. This a minor breach, causing no unacceptable harm, and it is not taking action as a breach of condition.
61. It is possible to put in multiple applications to approve details required by a condition. The condition is not discharged until the Council approves all details. However, the Council accepts its decision notice approving details for the hard landscaping and boundary treatments could have been clearer that further details were required for the play equipment. The developer has now sent these details.

-
62. The Council's decision to approve details for the CMP followed a 21-day consultation period including responses from the highways authority and environmental protection team, and comments from Mr X.
 63. The developer's plans to change the layout of some the houses to accommodate a pumping station and sub-station was a non-material amendment application. It was not an application for planning permission, so the requirements for publicity contained in the Town and Country Planning (Development management Procedure) (England) Order 2015 do not apply.
 64. Network capacity issues meant no more solar energy could not be harnessed at the site location. While a planning condition required approval of details about solar panels, it did not explicitly require solar panels to be provided. The reason for the condition was about appearance, not sustainability targets.
 65. The relocation of the pumping and sub stations was non-material in the context of the overall scheme. The amount of open space is considered suitable for the scale of the development.

Analysis

66. I will address each of Mr X's heads of complaint (a to f) below.
67. Discharge of condition applications do not have to include the whole condition; they can be made in parts. The Council accepts it could have made clearer the developer had not included play equipment. However, that does not amount to fault.
68. The Council does not have a statutory duty to monitor planning conditions for breaches and it is not a requirement of the Council's planning enforcement policy to do so.
69. Mr X's initial report of a potential planning breach came in June 2021. He then made further reports in July and August 2021. It took the Council until 23 August to open an enforcement case. That was too long and amounts to fault. However, I do not consider it caused Mr X significant injustice, as I found it did not affect the outcome.
70. The Council's policy states it will carry out a site visit within ten working days of receiving a complaint. It did not meet that target here. Once the Council registered the enforcement case, it visited the site 15 days later. However, I do not consider this was an unreasonable delay. It is not significant enough to amount to a finding of fault.
71. Enforcement action is at the Council's discretion. It looked into Mr X's enforcement complaints and its site visits led to positive discussions between the developer and the planning case officer. That is in keeping with the Council's enforcement policy.
72. The Council approved the CMP about seven weeks after Mr X's report. I do not consider it took an unreasonable amount of time to resolve the matter.
73. As the Council intended to approve the CMP it did not consider enforcement action was necessary or proportionate. That decision was in keeping with its policy and was not fault.
74. The Council must discharge planning conditions within eight weeks and has a duty to act promptly. I have not seen evidence the Council failed to properly consider the CMP. The Council considered comments from statutory consultees

and from Mr X. It was therefore not fault to approve the CMP in about three weeks.

75. The Council considered adding a pumping station and sub-station represented non-material changes. As such, the Council had to decide the application within 28 days. It was not at fault for deciding it within about three weeks. As the Council decided the changes were non-material, there was no need for consultation or to go back to the planning committee.
76. There is no statutory definition of non-material. It is a question of fact for the Council to decide. Mr X may consider the changes significant, but the Council did not. I have not seen evidence the Council failed to properly consider its decision, or that it took its decision unfairly.
77. The Council has been in contact with the developer about incomplete parts of the development. The developer put forward a timescale in which it will complete outstanding work. The Council's enforcement policy confirms it will first take an informal approach towards enforcement and will not take formal action where a party is willing to comply with the Council's requirements. That being the case, I do not find the Council at fault for allowing the developer the chance to correct matters and complete any outstanding work.
78. I have not seen evidence the Council asked the developer to include solar panels as part of sustainable development. The Council included a condition to ensure the solar panels appearance was in keeping with the area. The developer's decision not to include solar panels was based on feedback from the local energy network. Mr X considers this should have gone back before the planning committee. I have not seen any evidence to suggest a lack of solar panels meant the scheme must be considered again, or that it would have led to a refusal of planning permission for sustainability reasons. The lack of solar panels is a private matter Mr X must raise with the developer.
79. The original plans and planning permission indicate the amount of open space at the development was sufficient and was greater than other similar developments in the area. The Council did not consider the addition of a pumping station and sub-station significantly changed the overall scheme. This was a merits decision and I have not seen evidence the amount of open space has significantly reduced.

Conclusion

80. While I do not dismiss Mr X's complaint, planning enforcement action is discretionary. The Council must consider breaches of planning control but has no duty to take enforcement action where it does not see fit to do so. National planning guidance recognises councils may wish to reach informal agreements with developers to resolve breaches.
81. I have not seen evidence the Council failed to consider Mr X's complaints. I have also not seen evidence the Council failed to properly consider the nature of the planning breaches when deciding what action to take. I therefore do not find the Council at fault.
82. I have also not seen evidence of fault in the Council's consideration of the developer's discharge of condition applications and non-material amendment application.

Final decision

83. I have completed my investigation. The Council was at fault for a delay responding to Mr X's enforcement complaint, but it did not cause significant injustice. There was no fault in the Council's decision-making.

Investigator's decision on behalf of the Ombudsman

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SOUTH
KESTEVEN
DISTRICT
COUNCIL



Governance and Audit Committee


Date 26 September 2023

Report of Councillor Phillip Knowles,
Cabinet Member for Corporate
Governance and Licensing

Annual Health and Safety Report 2022/23

Report Author

Philip Swinton, Health and Safety and Compliance Manager

 phil.swinton@southkesteven.gov.uk

Purpose of Report

This report presents the annual Health and Safety Report for 2022/23. It provides an overview of South Kesteven District Council's management of health and safety. It summarises progress made, highlights areas for improvements, and identifies accident rates for the period 2022/23.

Recommendations

That the Committee:

1. Note the attached Health and Safety report for the period 2022/23.
2. Provides comments or feedback to assist with maintaining the effectiveness of the Council's health and safety arrangements.

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Housing that meets the needs of all residents Healthy and strong communities Clean and sustainable environment High performing Council
Which wards are impacted?	All

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 There are no specific financial comments arising from this report.

Completed by: Richard Wyles, Chief Finance Officer

Legal and Governance

- 1.2 Failure to comply with health and safety requirements can result in significant legal implications for the authority. There are no such implications arising from the Health and Safety Annual Report for 2022/23 necessary to bring to the attention of the Committee. The Council's overall health and safety performance is categorised as strong.

Completed by: Graham Watts, Assistant Director of Governance and Monitoring Officer

Risk and Mitigation

- 1.3 Failure to comply with health and safety could have a significant reputational and financial impact should an incident occur, and a claim is made against the Council. Having robust health and safety measures in place should protect employees, and members of the public, and could provide strong mitigation in the event of a claim.

Completed by: Tracey Elliott, Governance & Risk Officer

Diversity and Inclusion

- 1.4 Whilst Health and Safety requirements are necessary to manage risk, the Council is mindful of its responsibilities under the Equality Act 2010. Therefore, due regard will be paid to any reasonable adjustments required (where practicable) by staff and Members in the delivery of their duties. No adjustment that would risk the safety of an employee, elected Member or contractor could be considered and therefore officers would work to ensure all suitable alternative options were explored to provide an equitable outcome for all.

Completed by: Carol Drury, Community Engagement Manager

Human Resources

- 1.5 The annual Health and Safety report holds significant implications for Human Resources. There is an intrinsic link with employee wellbeing and ensuring our people have the right working environment that does not jeopardise their physical or mental wellbeing. There are also links with employment laws, employee productivity, absenteeism, and employee satisfaction. Furthermore, insights derived in the report inform our training and development plan enabling the Council to address specific skills gaps and ensure our employees are adequately equipped in health and safety.

Completed by: Fran Beckitt, Head of HR

Community Safety

Health and Safety guidance and monitoring provides an approach to preventing, reducing and responding to risk and the impact of harm related to staff and communities. This Annual Health and Safety report shows the positive progress being maintained in terms of the Council's overall performance, which is categorised as strong this year.

Completed by: Adrian Ash Assistant Director of Operations and Public Protection

Mental Health and Emotional Wellbeing

- 1.6 Inadequate health and safety policies and processes would pose a direct link to employee's mental health and wellbeing. There is therefore an important link between the two and it is ensured that the annual report and future health and safety actions align to the Council's wellbeing strategy.

Completed by: Fran Beckitt, Head of HR

2. Background to the Report

- 2.1 The Health and Safety Annual report 2022/23 (attached at Appendix A) demonstrates that the Council's commitment to health and safety and its performance have been strong in this period. It is important that the Council continues to review systems and improve them where practical, as well as actively monitoring behaviours and trends in safety compliance. Members will be aware that

the Authority provides a varied range of services, some of which present a higher risk due to the nature of works and the frequency with which they are undertaken.

- 2.2 The annual report identifies that reported accident numbers have fallen for a third consecutive year, as detailed in this report. While it is a welcome reduction it is unlikely that this will be maintained, and the Council will see some fluctuation in the coming years. To further demonstrate its commitment to safety the Council has recruited a new post to the team. This has not only increased the level of operational and technical support that can be provided but will allow for greater levels of review and audit into the use of and adherence to provide guidance and best practice.

3. Key Considerations

- 3.1 This report invites feedback from the Members of the Governance and Audit Committee.

4. Other Options Considered

- 4.1 There are no other options. This report is provided on an annual basis for Members.

5. Reasons for the Recommendations

- 5.1 The Management of Health and Safety is a legal requirement, and the Council holds a moral obligation to safety. Failure to monitor, review and effectively manage matters of safety could lead to individuals being exposed to injury or ill health. Any failure in this duty would also leave the Council exposed to financial and reputational risks from both Civil and Criminal cases.

6. Appendices

- 6.1 Appendix A – Annual Health and Safety Report 2022/23



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Corporate Health and Safety Annual Report 2022–2023

The Picture House, Grantham



Philip Swinton
Health, Safety and Compliance Manager

South Kesteven District Council
September 2023



TABLE OF CONTENTS

1.0	Executive Summary	2
2.0	Business Continuity & Emergency Planning	3
3.0	Health and Safety Training	4
4.0	Accidents and Incidents	4
5.0	Health and Safety Performance Measures	12
6.0	Service Plan 2023 – 2024	13

LIST OF TABLES, CHARTS & FIGURES

Chart A	Trend in Accidents by Service Area	7
Table 1	Comparison by Accident Type 2021/22 – 2022/23	8
Table 2	Comparison by Service Area 2021/22 – 2022/23	9
Table 3	Riddor Summary of Accidents Reported	10
Table 4	Leisure Centre Accident Rates (over 5 years)	11
Table 5	Health and Safety Target Performance Indicators	12

LIST OF APPENDICES

Appendix 1	Exert from Quarterly Dashboard Overview & Status	12
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INTRODUCTION

1.0 EXECUTIVE SUMMARY

This report provides an overview of South Kesteven District Council's Health and Safety performance during the 2022/23 financial year. This report will also cover business continuity and emergency planning actions for the same financial period.

The council's overall health and safety performance is categorised as strong and is based on a number of factors, including the results from recent internal safety audits which show a high degree of risk mitigations in place through thorough assessment of risk and the substantial assurance provided by a recent external audit which identified some aspirational improvements, many of which have already been implemented.

The move to the new Council office has also provided an improvement in safety related matters. The modern facilities and open plan nature of the building have increased the welfare provision for a great number of staff and greatly improved the Fire evacuation process.

The Health and Safety Executive have now concluded their investigation into the Asbestos incident at the Riverside complex, Grantham. They have confirmed they will not be taking any action in relation to South Kesteven District Council and that part of their investigation is now closed.

Areas for improvement have been identified in both the Fleet Workshop and Market Operations. The corporate team have created improvement reports for these areas and are supporting the implementation of the recommended improvements.

Accident numbers for the council have seen a further reduction in reported accident numbers and in accidents of a type reportable to the Health and Safety Executive (HSE) under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR).

Business Continuity and Emergency Planning remain an area of focus for the team, in order to maintain and improve the council's resilience and ability to maintain services in the event of business interruption or emergency, This also included engaging in the recent National exercise Mighty Oak.

1.1 The Health and Safety Management Approach

The direction for health and safety is set by the Corporate Management team with Cabinet Members involvement. This sets the corporate priorities for health and safety across the council's activities. The Corporate Management Team (CMT) and Senior Management Team (SMT) have overall responsibility for ensuring sufficient time and resources, making sure these are available to council officers to fulfil health and safety responsibilities and provide staff with any additional support and training. Members and staff at every level carry a moral, legal, and financial obligation to adhere and actively support health and safety. This approach has proven effective and there are no plans to change this.

To support the continuing improvement of the safety culture a Health and Safety officer working group, comprising officers from a range of service areas has been established. This group is chaired by the safety team who report identified issues or concerns through the leadership team and where appropriate work directly with service areas.

1.2 Corporate Health and Safety Role

The Corporate Health and Safety team's role remains unchanged from the last annual report. It is the responsibility of the Health and Safety team to monitor accidents and trends, ensuring investigations are prompt and appropriate. Should it be required at any point the Health and Safety team will notify the HSE, or other relevant bodies of any reportable matters and coordinate the council's cooperation and response.

The team continue to produce and provide guidance to managers and all service areas on a number of topics, as well as carrying out other core functions including, risk management support and audit, technical support on health and safety related matters and training provision.

The team has successfully recruited into a new post within the team which has increased the operational and support and the capacity the team can provide to the management and service areas.

2.0 BUSINESS CONTINUITY & EMERGENCY PLANNING

2.1 Business Continuity

This year saw a major national exercise for Business Continuity exploring the impacts of an unplanned national loss of power. Exercise Mighty Oak ran over three days and involved almost every resilience forum in the Country. Eighteen (18) officers of SKDC took part over the three days at several sites through the county. While the national learning has not yet been shared; this exercise provided real time exposure and experience for officers of the impacts and expectations the authority would face in supporting residents and the disruption to our business in such an event.

As detailed in last years report, every service area maintains a Business Impact Analysis (BIA). This outlines the identified risks to a service areas ability to function during a business interruption or emergency situation. The learning already taken from Mighty Oak is being used by teams in order to increase future resilience.

Once the final learning and recommendations have been provided, this will be shared with officers and the team give support to senior leadership and service specific areas in reviewing their BIA plans to incorporate these lessons. The attendance of so many officers was well received and clearly demonstrates the commitment of the authority to ensuring that it can continue to provide services during this type of interruption.

2.2 Emergency Planning

The emergency planning team of the Council has continued to provide the general "day-to-day" support such as flooding response and providing information and flood defence to parish councils and residents, as well as supporting emergency services as requested.

Several parish councils have also been provided support with the creation of their own emergency plans through our continued partnership with the LCC Emergency Planning team. During the extremes of heat and wildfires SKDC officers attended various sites and provided a communication link between services on the ground and other areas to support and coordinate the response required.

SKDC maintains a strong approach to emergency planning and supporting other agencies, which is acknowledged by our partners. There is a duty officer on call 24/7 who will work with our CCTV operators to triage/manage any calls received. In addition to this, the council's senior officers also operate a rota system for on call duties should the situation require additional resource, or it carries a wider council implication and escalation by the duty officer.

Officers regularly attending training/refresher training sessions to maintain their understanding of the actions required at both a tactical and strategic level and will attend an upcoming command course in order to manage or support partner agencies in an emergency.

3.0 HEALTH AND SAFETY TRAINING

Providing suitable training for employees is a legal requirement and essential to ensuring employees can work safely, this also provides management with a level of assurance that their teams are health and safety competent and confident in their roles. Employee training needs are identified in one-to-ones, as well as previously defined training required for a particular role as defined by up to date risk assessments.

The ability to provide a range of training options online has allowed the council to continue to meet its legal and moral obligations in these areas.

To support the new hybrid style of working SKDC has now completed migration to a newer online learning platform. This allows greater flexibility for those undertaking the training to select the type of workstation, for example dual screen, home or flexible working. This then provides more bespoke advice for the user on the correct set up and reduces the risk from display screen equipment related ill health matters.

As with previous reported, Corporate Health and Safety organises the following training as part of its function:

- Health and Safety (induction for new employees);
- Workstation Safety Plus (mandatory online training for all DSE users);
- Fire Safety Awareness and Manual Handling to be provided through the new LMS;
- Fire Warden (training needs for all council workplace premises);
- First Aid at Work (3-days and 2-days refresher);
- Accident Investigation training (provided in house for those with responsibility to investigate)
- Business Continuity training (provided in conjunction with LCC EP team) to the senior team and rolling out to team leaders.
- Evacuation chair training
- Risk assessment training Identified and programmed for completion by August 2023

4.0 ACCIDENTS AND INCIDENTS

Services are responsible for reporting, recording and investigating accidents and incidents that occur within their own service area and any involving the public. In significant incidents, The Corporate Health and Safety team may assume the lead on the investigation. The council must identify the root cause of an incident and reduce the likelihood of reoccurrence. All health and safety incidents must be submitted to the Corporate Health and Safety team, who oversee a central

database and provide assurance to the council that suitable and sufficient investigations are taking place, proportionate to the level of incident.

4.1 Accident and Incident Trends

There were a total of 38 reported accidents in 2022/23, this is a reduction of two on the previous year's accident rate. This reduction is welcomed and while a nil accident target remains unlikely; given the number of staff and activities the council undertakes; the reduction can only be taken as a positive.

Slip, trip or fall incident numbers remain constant and are usually the most common causes of accidents, along with manual handling, not including vehicle related accidents. There has been a 100% reduction in manual handling incidents in this period, however, these have been replaced by cuts and lacerations as a leading cause of injury.

These accidents are all of a type that would be classified as minor and is reflective of the overall downward trend in accidents we are seeing currently. As always with accidents and incidents it is important to avoid complacency. Despite this drop in accidents, the number could increase and those classified as minor have the potential to be more serious in nature under different circumstances.

The planned return of Grounds Maintenance to an in-house service is likely to see the incident numbers increase for 2023/24. This in itself should not be cause for concern as this is a high risk service but we must acknowledge the potential and the health and safety team will work to support the move and embed the SKDC principles regarding reporting and investigating of incidents to ensure that suitable and sufficient investigations are carried out and risk is reduced where practicable.

4.2 Accident and Incident Numbers and Charts

Chart A shows the number of reported accidents/incidents over the last three years for council work - related activities and in most areas, there is a clear reduction.

Street Scene has seen a significant reduction in accidents numbers from 34 in 2021/22 to just 14 in 2022/23. This a large and welcomed reduction but should be treated with caution. The high risk nature of the works and the frequency at which this is performed mean this is unlikely to be a straight line reduction and will fluctuate over the years.

The period 2022/23 has seen an increase in the number of accidents with the arts centre settings. There is no evidence to suggest a failing within the building or risk control and these incidents are linked to members of the public and site users where a lack of concentration/human behaviours have a direct link to the incidents. Numbers of visitors have increased following the easing of lockdown controls which may be a contributing factor. The numbers and trend will continue to be monitored.

Tables 1 Provides a breakdown by type of accident and the overall percentage for the periods 2021/22 and 2022/23.

Table 2 Provides the specific service area and type of accident to highlight any trends within service areas.

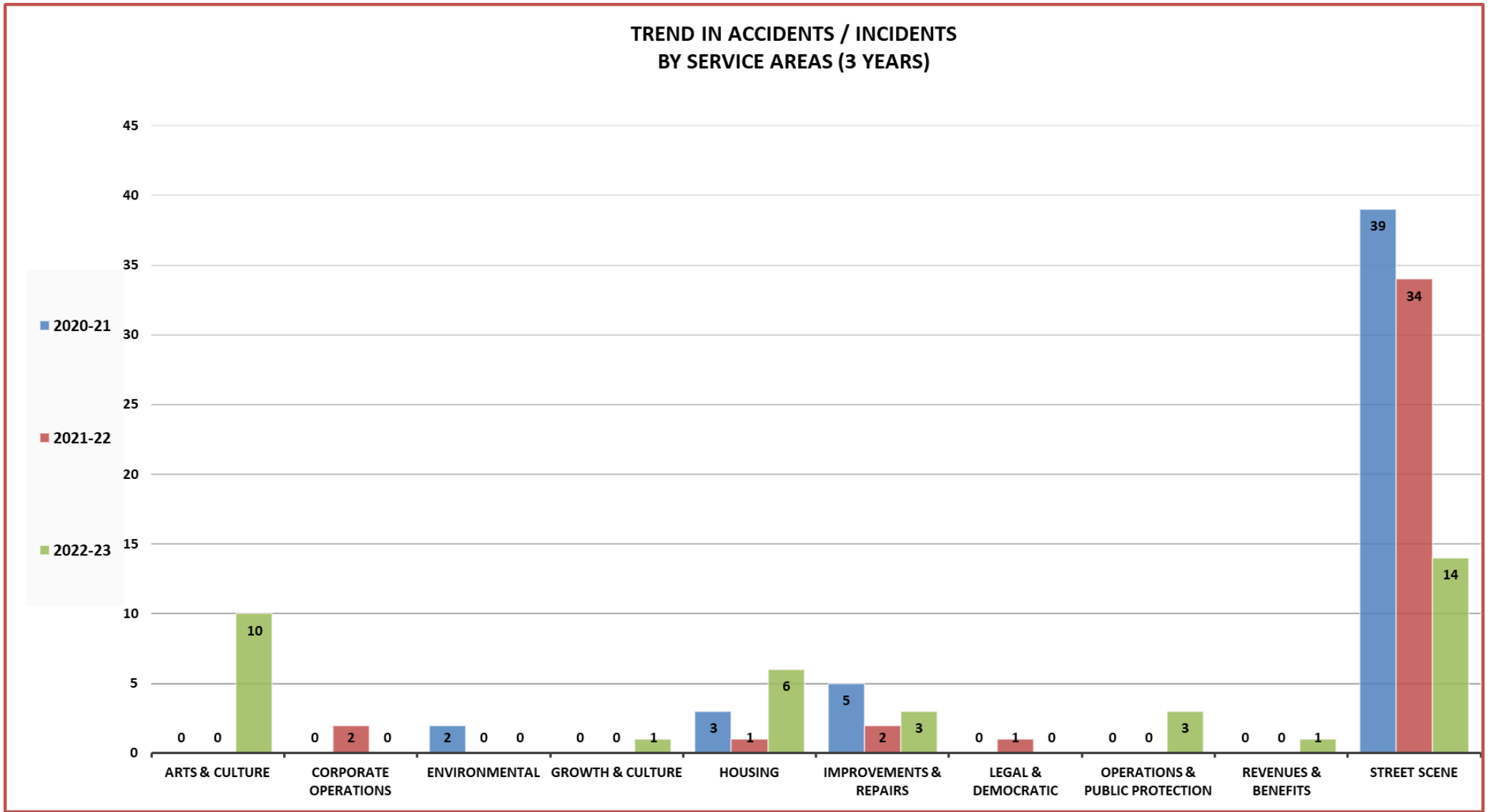
The largest category figures for 2023 are vehicle accidents at 11. This has seen a reduction from 19 the previous year and is again very welcome. While this has the potential to fluctuate, as suggested above, the drive should always be to continue this reduction, especially in circumstances where there is a greater degree of control on the part of officers by the very nature of the fact that they control the vehicle and its movements.

Regardless of the context, the council, its officers and members have a legal, moral and financial responsibility to constantly review all its activities and procedures and to drive safety improvements wherever practical.

Although the numbers are still what could be considered low for the size of organisation and the activity undertaken there have been three near miss reports in this period. This is an area which in previous years has seen a zero reporting and this should be taken as positive movement.

The importance of near miss reporting can not be understated in preventing accidents or incidents at the earliest point. Near misses are an indicator to possible gaps in controls or behaviours which can and must be addressed. The Corporate Health and Safety team continue to drive this message through training and awareness sessions and have been supported in this by the Leadership team.

CHART A - This chart shows the trend in accident numbers by service areas over the last 3-years.



188

TABLE 1 - Comparison by Accident Type 2021/22 - 2022/23

CATEGORY	2021/22	% OF TOTAL	2022/23	% OF TOTAL
Bruising/Swelling/Grazing	0	0	7	0.17
Contact with moving machinery	2	0.05	0	0
Falls from height	2	0.05	0	0
Injured while handling an object	5	0.13	0	0
Lacerations/Cuts	0	0	7	0.18
Manual Handling	3	0.08	0	0
Multiple Injuries	0	0	1	0.03
Near Miss	0	0	3	0.08
Needlestick	2	0.05	1	0.03
Neurological (Epileptic fit)	1	0.03	0	0
Slips/Trips/Falls	4	0.10	3	0.08
Sprains/Strains	0	0	3	0.08
Struck Against	1	0.03	0	0
Tendon/Tissue Damage	0	0	1	0.03
Unacceptable Behaviour	1	0.03	1	0.03
Vehicle Accidents/Incidents	19	0.47	11	0.29
TOTALS	40		38	

TABLE 2 - Comparison by Service Area 2021/22 - 2022/23

CATEGORY / INJURY TYPE	ARTS & CULTURE		CORPORATE OPERATIONS		GROWTH & CULTURE		HOUSING		IMPROVEMENTS & REPAIRS		LEGAL & DEMOCRATIC		OPERATIONS & PUBLIC PROTECTION		REVENUES & BENEFITS		STREET SCENE		TOTAL	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
Bruising/Swelling/ Grazing		2						2		1				1		1				7
Contact with moving machinery																	2		2	
Fall from height																	2		2	
Injured while handling object									1								4		5	
Lacerations/Cuts		3				1		1										2		7
Manual Handling																	3		3	
Multiple Injuries		1																		1
Near Miss		1						1						1						3
Needlestick																	2	1	2	1
Neurological																	1		1	
Slips/Trips/Falls		1					1	1	1		1						1	1	4	3
Sprains/Strains										2								1		3
Struck Against																	1		1	
Tendon/Tissue Damage		1																		1
Unacceptable Behaviour		1															1		1	1
Vehicle Accidents / Incidents			2					1						1			17	9	19	11
TOTAL	0	10	2	0	0	0	1	6	2	3	1	0	0	3	0	1	34	14	40	38

4.3 Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR)

RIDDOR regulations require certain specified accidents, ill health and dangerous occurrences to be reported to the relevant enforcing authority, being the HSE.

The council last year had five reportable incidents. This financial year, the council reported one as detailed below. This was reportable due to seven days or more incapacitation.

RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations)

TABLE 3 – RIDDOR Summary of Accidents Reported

SECTION	ACCIDENT	REPORTED	TRIGGER (Over 7 days or specified injury)	PERSON EXPOSED	DESCRIPTION OF INJURY	CATEGORY TYPE	HAZARD TYPE
Improvements & Repairs	16-05-2022	01-08-2022	Over 7 day absence	Employee	Injured fell backwards off a ladder while working and sustained numerous injuries,	Bruising Swelling Grazing	Fall from height

4.4 Leisure Centres

Table 4 Shows the number of incidents at each leisure centre, along with the number of visitors and overall visitor per accident rate

The accident rates are consistent with previous years, showing a slight increase of just 0.01 on last year's figures. The number of visitors per accident has reduced from 3053 in 2021/22 to 2851 in 2022/23 but we must acknowledge that the overall footfall in 2022/23 increased by over 250,000 people.

Over 720,000 people attended all three sites for a total of just 255 incidents.

LEISURE CENTRE ACCIDENT RATES (OVER 5 YEARS)

TABLE 4: Leisure Centre Accident Rates (over 5 years)

Footfall per Incident 2022 - 2023				
Area	Footfall	Accidents	Visitors per Accident	% Rates
Bourne	175,293	110	1594	0.06
Stamford	83,277	22	3785	0.03
Grantham	468,525	123	3809	0.03
Deeping Closed				
Total	727095	255	2851	0.04

Footfall per Incident 2021 - 2022				
Area	Footfall	Accidents	Visitors per Accident	% Rates
Bourne	120,769	70	1725	0.06
Stamford	62,779	14	4484	0.02
Grantham	289,675	71	4080	0.02
Deeping Closed				
Total	473223	155	3053	0.03

Footfall per Incident 2020 - 2021				
Area	Footfall	Accidents	Visitors per Accident	% Rates
Bourne				
Deeping				
Stamford				
Grantham				
	Closed because of Covid-19 (No figures)			
Total	0	0	0	0.00

Footfall per Incident 2019 - 2020				
Area	Footfall	Accidents	Visitors per Accident	% Rates
Bourne	176,591	100	1766	0.06
Deeping	251,485	92	2734	0.04
Stamford	142,577	50	2852	0.04
Grantham	598,569	138	4337	0.02
Total	1169222	380	3077	0.03

Footfall per Incident 2018 - 2019				
Area	Footfall	Accidents	Visitors per Accident	% Rates
Bourne	191,518	128	1496	0.07
Deeping	283,782	174	1631	0.06
Stamford	159,632	71	2248	0.04
Grantham	663,732	100	6637	0.02
Total	1298664	473	2746	0.04









5.0 HEALTH AND SAFETY PERFORMANCE MEASURES

Along with the KPI's below, a quarterly dashboard of performance indicators is shared with Corporate Management Team and Heads of Service and covers accidents and incidents, quarterly monitoring activities and any trends identified or areas which require increased focus.

TABLE 5 – Health and Safety Target Performance Indicators

HEALTH AND SAFETY TARGET/PERFORMANCE INDICATOR	2020/21	2021/22	2022/23
Number of staff RIDDOR notifications to the enforcing authority	5	2	1
Number of staff lost days as the result of accidents (<i>based upon information received</i>)	250	169	58

APPENDIX 1 – Exert from Quarterly Dashboard (Overview and Status)

SERVICE AREA	INCIDENTS OVERVIEW AND STATUS	
	RED Immediate Action AMBER Increased Monitoring and Review GREEN No Further Action	  
Arts & Culture : Guildhall	<ul style="list-style-type: none"> Incidents: 3 Accident Type: 2 x Slip/Trip/Fall 1 x Contact with moving object Broader Causes: Behaviour/Human Error These all relate to MOP and are human error. Building condition not believed to have contributed however regular checks on potential trips matters must continue 	
Repairs & Improvements: Voids	<ul style="list-style-type: none"> Incidents: 1 Accident Type: 1 x Manual Handling Broader Causes: Behaviour/Human Error 	
Street Scene : Waste & Recycling	<ul style="list-style-type: none"> Incidents: 6 Accident Type: 2 x Injured while handling object 4 x Vehicle Incidents – no injuries Broader Causes: 4 x Behaviour/Human Error 1 x Environmental 1 x Mechanical/Structural Failure – All vehicles removed from use during investigations into failure 	
Markets : Stamford	<ul style="list-style-type: none"> Incidents: 1 Accident Type: 1 x Near miss Broader Causes: Behaviour/Human Error 	
Housing : Sheltered Housing	<ul style="list-style-type: none"> Incidents: 2 Accident Type: 1 x Vehicle damage 1 x Animal bite (dog) Broader Causes: Behaviour/Human Error – information shared with all regarding animal behaviours signs 	

6.0 SERVICE PLAN 2023-2024

6.1 Health and Safety Plan

The Corporate teams planned works for the coming year will include several specific actions in addition to the day to day role of providing frontline support and guidance to the corporate body as noted below

6.1a: Working with colleagues in property there will be a further review of Fire Risk Assessments across the operational buildings and of the Fire action log books, including the use and completion of these by operational building users

6.1b: Following recommendations from the external audit all risk assessments will revert to an annual review frequency, while this is a significant draw on officer time, the value of greater scrutiny over risk control is recognised. The team will provide feedback and recommendations to strengthen controls and ensure that timeframes are provided for the completion of tasks by the relevant service area responsible person. All areas with identified actions will be revisited to track progress within that area.

6.1c: Continue to promote and drive cultural improvement related to safety through the health and safety working group and related safety awareness sessions. This will include a review of the full suite of arrangements and protocols created to support Managers on safety related topics.

6.2 Business Continuity and Emergency Planning 2023/24

Working with partners in the LCC Emergency Planning team we will continue to provide training and advice to all identified tactical and strategic officers to ensure the knowledge and skills required in an emergency are current and that SKDC remains well placed to respond and has built in operational resilience.

Although in the early stage of discussion there will be some training sessions designed for Members. These will provide awareness of the responsibilities they may hold in the event of an emergency and general understanding of the structure involved when responding to an emergency event or period of business interruption

As noted earlier in the report a large focus of the coming year will be to review and disseminate the learnings from the National exercise Mighty Oak and ensure the relevant learning points are considered and included within service level impact analysis documents.



SOUTH
KESTEVEN
DISTRICT
COUNCIL



Governance & Audit Committee

26 September 2023

Report of Councillor Ashley Baxter,
Deputy Leader of the Council

Market Service Operational Review - Update

Report Author

Adrian Ash, Interim Assistant Director of Operations and Public Protection



Purpose of Report

To provide a progress update regarding the Council's Market Service Operational Action Plan.

Recommendations

That the Governance and Audit Committee:

1. Notes the updated position with respect to the Markets Operational Action Plan and the progress being made and provide any feedback.

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Clean and sustainable environment High performing Council
Which wards are impacted?	All

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 The action plan was introduced to resolve the governance and financial issues of the market operations. A number of corrective measures have been implemented to address the concerns raised such as, cashless payments, implementing and structuring of fees and charges is programmed to be reviewed as part of the 2024/25 budget setting process. This will be considered by Council on 29 February 2024

Completed by: Richard Wyles, s151 Officer

Legal and Governance

- 1.2 The operation and delivery of markets is not a statutory service, however, there are governance implications associated with them. The report identifies the progress made to date with ongoing action taking place in those areas still outstanding.

Completed by: Graham Watts, Assistant Director of Governance and Monitoring Officer

Risk and Mitigation

- 1.3 The action plan is reducing the exposure of risk to the Council and the overall progress is within the report and Appendix 1. The vacant post of Market Manager has slowed progress in some areas within the plan. It is hoped this will be addressed shortly and provide the much-needed direct contact between traders and staff.

Completed by: Tracey Elliott, Governance & Risk Officer

Health and Safety

- 1.4 Safety related works identified have been carried out which includes the maintenance of existing equipment/ provision of new equipment and ancillaries. Outstanding work on the stalls utilised at the Stamford Market are programmed for repair. Delays have occurred whilst seeking a specialist qualified contractor to carry out the work and awaiting sign off from utilities. The ongoing works are key in reducing the potential risk to staff, traders and market users, this includes additional training of staff and will provide assurance that requirements under the Health and Safety at Work Act 1974 are being met.

Completed by: Phil Swinton

Human Resources

- 1.5 The original review of market operations identified several areas of concern in respect of staff arrangements including contracts, job descriptions and grades. The consultation programme is due to commence which will formalise arrangements which will safeguard both the staff and the Council.

Completed by: Fran Beckitt (Interim Head of HR)

2. Background to the Report

- 2.1 South Kesteven's traditional retail open markets at Bourne, Grantham and Stamford have been a focal point of each town for many years and have been an integral part of cultural and economic life in the district.
- 2.2 However, following an independent review of the market operations earlier this year, a report was presented to the Governance and Audit Committee in June 2023 which raised a number of concerns around governance of the service in particular the operation and financial practices of the Market Service.
- 2.3 An Action Plan identifying required corrective measures was established (see updated Appendix 1), identifying specific areas of concern where action was required. These included: employment arrangements, waste collection and disposal, income collection, operations and Health & Safety.

2.4 Employment Arrangements

- 2.5 The original review identified several areas requiring attention, including the vacant post of a Markets Supervisor, along with staff not having appropriate job descriptions or contracts of employment which led to working practices not consistent with the Council's pay policy.

- 2.6 An integral role to any successful market operation is the post of Markets Supervisor who provides the 'on hand' operational management and is the direct communication point for traders, staff and visitors, whilst also promoting the development of the markets in line with their strategic direction. This post remains vacant despite being advertised on two separate occasions; There were no applicants in response to the first advert; on the second occasion there were two applicants both of whom withdrew prior to interview.
- 2.7 Following discussions with HR, the job title change has been changed to Market Manager to reflect its management position, () and the salary now includes the annual pay award to make it more appealing to potential applicants. A fresh recruitment process is underway.
- 2.8 In respect of market staff and their arrangements, this is a complex area of work and is highly sensitive given that 'custom and practice' has operated for many years. However, new job descriptions have been written for the roles of Market Manager, Market Chargehand and Market Operative. This will formalise working arrangements to safeguard members of staff by reflecting the Council's pay policy; they will also protect the Council because having casual employees provides no resilience to the service or any contractual commitment from employees.
- 2.9 **Waste Collection and Disposal**
- 2.10 Existing waste collection and disposal methods continue, i.e. market staff carry out street cleansing and waste disposal functions for the Grantham, Bourne (Thursday) and Stamford (Friday) markets. , Traders at the Saturday markets at Stamford and Bourne are required to remove their own waste.
- 2.11 Discussion continue with the waste and street cleansing services in pursuit of a more consistent and effective method of waste management. The cost associated with the collection and disposal of waste from traders has historically been subsidised and this cannot continue long term.
- 2.12 Street cleansing and waste collection/disposal are an intrinsic element of any market operation. Any future markets strategy and operation would need to include this as it impacts on the environment and aesthetics of the markets. It should be noted that under the Environment Act 2021 the 'producer pays'. In this case the traders should remove their waste or pay the appropriate rate for its collection and disposal.

2.13 Income Collection

- 2.14 A significant area of concern in the original market operations report was the number of traders paying by cash for the hire of their stall/pitch. This was a risk to the Council and to those officers who were designated to collect the fees.
- 2.15 A trial was set up providing a card payment system for weekly payment of stall rents. This has proven successful with the majority choosing to use this method. However, some traders still opt to pay by cash.
- 2.16 Whilst we want to continue working with our traders, notification has been sent to all traders advising that following a successful trial of a cashless card system that, as of the 2nd October 2023, cash payments will no longer be accepted. The Council will be unable to offer a stall/pitch to them on the market unless they utilise a cashless payment system.

2.17 Operations

- 2.18 Significant work has been carried out in this area. Stalls at Bourne market have been checked and repaired by the original supplier.
- 2.19 The stalls used at Stamford are due to be repaired shortly. Delays have occurred whilst seeking a specialist qualified contractor with the requisite documentation to carry out the work.
- 2.20 Chargehands undertook training in March and now hold the Certificate of Competence in Traffic Management for community events.

2.21 Health & Safety

- 2.22 The markets have operated in much the same way for many years and the risk assessments and method statements had not been reviewed, these will be overseen by the Health and Safety lead and should be completed during October.
- 2.23 The tractor and trailer have been inspected, necessary repairs carried out and they have been added to the fleet maintenance regime in line with the manufacturers' recommendations.
- 2.24 Grantham and Stamford storage has been assessed and work carried out. However, the electrical work at Stamford is still awaiting sign off from Western Power. In terms of welfare facilities a temporary solution has been implemented with several permanent options being explored by the Property Services Manager.

3. Key Considerations

- 3.1 The Action Plan was developed to assist in addressing concerns raised by the independent review of poor practices and unsatisfactory arrangements that had occurred overtime. Many of these issues have been long running, complex, sensitive and have reduced the resilience of the service and increased the risk to the Council. However, the action plan is driving positive improvements forward.
- 3.2 A summary of progress is highlighted in the Action Plan - Appendix 1. Where elements of the plan remain as ongoing.
- 3.3 Long-term commercial viability of the market is dependent on the outcome of any future market strategy and this in turn will influence the future market operations.

4. Other Options Considered

- 4.1 Markets is a non-statutory function. However, they must operate in a compliant manner.

5. Reasons for the Recommendations

- 5.1 This report is for noting the Market Service Operational Action Plan updates.

6. Consultation

- 6.1 Consultation will soon commence with Market staff to formalise contractual and working arrangements and bring them into line with the Council's pay policy.

7. Appendices

- 7.1 Market Service Operational Review - Update

Market Service Operational Review Action Plan

Appendix 1

*Key

Completed		Duplicate		Outstanding / In Progress	
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Ref	Task	Status	Date - 2023	Comment
	Employment			
1	Establish the working hours and roles necessary to support operation of each market	Complete	March	Working hours have been established. This links with ref 2.
2	Produce job descriptions for all roles and undertake job evaluations.	Complete	March	The following job descriptions have been drawn up and evaluated. <ul style="list-style-type: none"> • Market Supervisor - (now Market Manager) • Market Chargehand • Market Operative
3	Advertise vacant Market Supervisor (now Market Manager) post	Ongoing	August / September	<ul style="list-style-type: none"> • Recruitment not complete • 2 rounds of recruitment have failed to provide a replacement Market Supervisor • First round no applicants • Second round 2 candidates invited to interview (31/7/23 – Both withdrew) • Post re-advertised 28th August 2023 with changed post title - Market Manager
4	Agree overall approach to operatives' employment contracts (casual/permanent)	Ongoing	September / October	Indicative timescale agreed for Market Contract Consultation
5	Review options for vacant Market Supervisor Post	As for 3	August / September	<ul style="list-style-type: none"> • As for 3. • Change of Title • Review of pay scales for the post against other Market Supervisor/Manager roles carried out by HR (Market Supplement) • Increased salary as a result of the annual pay award

201

Appendix 1

6	Undertake formal consultation with impacted market operatives	As for 4	September / October	<ul style="list-style-type: none"> As for 4
7	Issue appropriate contracts of employment (subject to consultation)	As for 4	October	<ul style="list-style-type: none"> As for 4
	Waste Collection and Disposal			
8	Disposal of market waste to be via the in-house commercial waste arrangements	Ongoing	October / November	Change to operational practices to reflect any commercialisation of the markets and increased trader need. Head of Service (Waste & Markets) and Market Manager.
9	Review current waste collection arrangements and associated costs for each market and evaluate options for future provision	Ongoing	As for 8	<ul style="list-style-type: none"> As for 8
	Income Collection			
10	Create a master list of current market traders and review the trader waiting list.	Complete	April	<ul style="list-style-type: none"> Master list created. New traders processed and waiting list updated on a weekly basis. Copy of waiting list sent to the chargehands on a regular basis.
11	Review the trader fees charged against approved fees and charges	Complete	March	Carried out by AD Operations & Public Protection
12	Evaluate options for cashless trader fee collection	Complete	March	Option appraisal carried out and completed
13	Implement credit/debit card payments across all markets	In Progress	October	<p>Following the successful completion of the trial for cashless payment letters and Direct Debit forms have been sent to all traders Informing them that, as of Monday 2nd October 2023 the Council will no longer be accepting cash for the payment of stall rents. (Where email addresses are unknown for traders, chargehand will deliver on site to traders during w/c 4th September 2023)</p> <p><u>Options for Payment</u></p> <p>From that date the options for paying stall and pitch rental payments will be either direct debit or credit or direct debit card only.</p>
14	Review and issue updated Code of Practice for traders	Outstanding	November	Head of Service (Waste & Markets) Awaiting appointment of Market Manager

15	Undertake measurements of all pitch-based traders units to ensure correct fees are applied	Outstanding	October / November	Head Of Service (Waste & Markets) Awaiting appointment of Market Manager
16	Fully implement the approved fees and charges for 2023/24 (as in interim, 5% applied from 1 April 2023 to traders 22/23 fees in line with the overall increase in charges)	Outstanding	October / November	Head of Service (Waste & Markets) and AD Finance Part of the Financial Review Process
17	Review structure of fees and charges for 2024/25 to accommodate different payment arrangements e.g. direct debit incentives	Outstanding	October / November	Head of Service (Waste & Markets) and AD Finance Part of the Financial Review Process
18	Following implementation of card payments for traders, consider transitioning regular traders to a direct debit arrangement once incorporated into fees and charges and back-office support is in place to administer	In Progress	October / November	Head of Service (Waste & Markets) and AD Finance Part of the Financial Review Process
	Operational			
19	Pop up stalls used for markets at Bourne to be checked and repaired by the supplier	Complete	March	H&S Lead
20	Chargehands to undertake Certificate of Competence in Traffic Management for community events.	Complete	April / May	<ul style="list-style-type: none"> Traffic management course undertaken by chargehands in March. Copies of Certificates on file and records updated. Tractor Driving Competency Training for four (4) staff – Stamford. Accreditation cards passed to Chargehands.
21	Road Closure signage to be reviewed and replaced where required	Complete	May	<ul style="list-style-type: none"> Signage replaced
22	Re-instatement of the electricity supply at the Stamford market store	In Progress	Awaiting Western Power	<ul style="list-style-type: none"> Lights and sockets repaired awaiting connection/sign off form Western Power - Property Services Manager dealing
23	Produce options for future welfare facilities for Stamford Market store	In Progress	September	<ul style="list-style-type: none"> A temporary solution of welfare facilities has been implemented with several permanent options being explored by the Property Services Manager.
24	All operatives to receive manual handling refresher training	In Progress	September / October	Refresher programmed - H&S Lead Officer / Operations Manager
25	Stocks of scaffold pole style stalls (Stamford and Grantham stalls) to be reviewed and repaired or	In Progress	September / October	H&S Lead Officer

	disposal arrangements put in place for redundant items			
26	Work with Lincolnshire County Council to ensure effective enforcement of parking restrictions within the Stamford market road closure (new road markings and signage)	In Progress	Yellow line painting TBA by LCC	<ul style="list-style-type: none"> • New signage is now in place and being used. • Repainting of yellow lines in Broad Street still required.
	Health and Safety			
27	Undertake any necessary repairs to the tractor used to move Stamford Market stalls	Complete	February	<ul style="list-style-type: none"> • Repairs completed and vehicle to be included in the fleet maintenance programme. • Drivers only check sheet introduced
28	Complete a review of health and safety arrangements at each market	Complete	March	<ul style="list-style-type: none"> • Review carried out service advised and changes implemented
29	Review and update risk assessments and method statements	In Progress	September / October	H&S Lead Officer – to complete review
30	Carry out an inspection of the Grantham stall store building and carry out any required works	Complete	April	<ul style="list-style-type: none"> • Inspection and works carried out - Property Services Manager

Governance and Audit Committee Work Plan 2023-24

Committee Membership:

Chairman: Councillor Tim Harrison

Vice-Chairman: Councillor Paul Wood

Item	Current Issues/Status	Outcome Sought
29 November 2023		
Strategic Risk Register	The Strategic Risk Register is presented to the Committee bi-annually as part of the monitoring and review of the risk management arrangements.	To review and consider approving the Strategic Risk Register.
Statement of Accounts update 2022/2023	To be approved each year by the statutory deadline.	To approve the 2022/2023 Statement of Accounts and their publication on the Council's
Risk Management Annual Report 2022/2023	The Annual Report on Risk Management Procedure and Policy.	To review and note the contents of the report.
Risk Management Framework 2023/2025	A presentation of the Risk Management Framework 2023/2025.	To review and note the contents of the report.
Annual Governance Report	Report outlining the key findings arising from the statutory audit of South Kesteven District Council.	To review and note the contents of the report.
24 January 2024		
Internal Audit Progress Report	Update from the Council's Internal Auditors	To review and note the contents of the report

Item	Current Issues/Status	Outcome Sought
Indicative Internal Audit Plan 2024/2025	Internal Audit to present the indicative Internal Audit Plan for 2024/2025.	To review and note contents of plan for 2024/2025.
Treasury Management Mid-Year Review	Update on treasury and debt management operations during the financial year.	To review and note the contents of the mid-year review..
Counter Fraud Framework 2024/2026	A report on The Counter Fraud Framework 2024/2026.	To review and note the contents of the report.
Safeguarding Annual Report 2022/2023	An overview of the Council's involvement in the safeguarding of children, young people and vulnerable adults for 2022/2023.	To review and note the contents of the report.
13 March 2024		
Annual Report on Grants and Returns	Report providing details on the Housing Benefit Subsidy Claim.	To review and note the contents of the report.
Internal Audit Progress Report	Update from the Council's Internal Auditors	To review and note the contents of the report
Statement of Accounting Policies	Annual report prior to the preparation of the Statement of Accounts to ensure that the policies are up to date and in line with the CIPFA Code of Practice.	To consider approving the Statement of Accounting Policies.
Strategic Risk Register	The Strategic Risk Register is presented to the Committee bi-annually as part of the monitoring and review of the risk management arrangements.	To review and consider approving the Strategic Risk Register.
Items to be allocated as and when required		
Financial Regulations		
Code of Corporate Governance		

Item	Current Issues/Status	Outcome Sought
Code of Conduct		
Contract Procedure Rules		
Risk Management Framework		
Committee Members Meeting with Auditors		
Counter Fraud Framework		

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