

Governance and Audit Committee



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Wednesday, 18 March 2026 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 Robert Leadenham, Councillor Bridget Ley, Councillor Habib Rahman,
Councillor Rhea Rayside, Councillor Paul Stokes, Councillor Mark Whittington,
Councillor Sue Woolley and Alan Bowling

Agenda

This meeting can be watched as a live stream, or at a later date, [via the SKDC Public-I 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 18 February 2026** (Pages 3 - 7)
- 4. Updates from previous meeting** (Page 9)
To consider updates on Actions agreed at the meeting held on 18 February 2026.
- 5. Internal Audit Progress Report** (Pages 11 - 25)
Update from the Council's Internal Auditors in respect of progress made against the plan.
- 6. Internal Audit Follow Up Report** (Pages 27 - 41)
Update from the Council's Internal Auditors in respect of progress made against the implementation of actions.

Published and dispatched by democracy@southkesteven.gov.uk on Tuesday, 10 March 2026.

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Karen Bradford, Chief Executive

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- 7. Indicative Internal Audit Plan 2026/27** (Pages 43 - 81)
Internal Audit to present the indicative Internal Audit Plan for 2026/2027.
- 8. 2025-26 Accounting Policies** (Pages 83 - 100)
The Council's Accounting Policies are reviewed annually, prior to the preparation of the Statement of Accounts, to ensure they are up to date and in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (The Code)
- 9. 2025-26 Action Plan for Draft Statement of Accounts** (Pages 101 - 104)
To provide an update regarding the publication of the 2025/26 Statement of Accounts.
- 10. Treasury Management Report Quarter 3 2025/26** (Pages 105 - 112)
Treasury Management Performance report for the period ending 31st December 2025
- 11. Housing Benefit Subsidy Audit 2023-24** (Pages 113 - 126)
To provide an update regarding the outcome of the 2023-24 audited Housing Benefit subsidy claim and Department for Work and Pension sign-off
- 12. Work Programme 2026 - 2027** (Pages 127 - 133)
To consider the Committee's indicative Work Programme for 2026 – 2027.
- 13. 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, 18 February 2026, 2.00
pm

Committee Members present

Councillor Tim Harrison (Chairman)
Councillor Paul Wood (Vice-Chairman)
Councillor Robert Leadenham
Councillor Bridget Ley
Councillor Habib Rahman
Councillor Rhea Rayside
Councillor Paul Stokes
Councillor Mark Whittington
Councillor Sue Woolley
Alan Bowling

Other Members present

Councillor Philip Knowles
Councillor Elvis Stooke

Officers

Richard Wyles, Director of Finance and Section 151 Officer
David Scott, Assistant Director of
Finance and Deputy Section 151 Officer
Joshua Mann, Democratic Services Officer
Salma Younis, External Auditor

62. Apologies for absence

An apology for absence was received from Councillor Ashley Baxter in his capacity as Leader of the Council and Cabinet Member.

63. Disclosure of interests

No interests were disclosed.

64. Minutes of the meeting held on 21 January 2026

The minutes of the meeting held on 21 January 2026 were proposed, seconded and agreed as an accurate record.

65. Updates from previous meeting

It was noted that the outstanding task had been closed since the previous meeting.

66. Year-end report (ISA 260) 2024-25

The Year-end report (ISA 260) 2024-25 was introduced by the external auditor.

The report outlined the outcome of the following audit areas:

- Valuation of land and buildings (neutral)
- Valuation of investment property (neutral)
- Management override of controls (no significant unusual transactions detected)
- Valuation of post-retirement benefit obligations (neutral)
- Adoption of IFRS16 (neutral)

The auditor confirmed that they were on target to complete the statement of accounts audit by the 27 February 2026 deadline.

Given the audit scope included LeisureSK Ltd, it was confirmed that no significant risks were identified attached to the account balances.

Regarding the narrative report, the audit confirmed it did not identify any material inconsistencies between the knowledge acquired during the audit and the statements of the Council.

It was also confirmed that the annual governance statement was not misleading and was consistent with the information available.

The auditor confirmed that the approval of significant related party transactions had been added as an additional control deficiency and management had accepted the recommendations provided.

During discussions, Members commented on the following:

- Clarity was sought about use of the term 'balanced' to describe the assumptions used in the valuations of land and buildings. The external auditor confirmed this language was intended to indicate that the auditor was neither too cautious, nor too optimistic, about the matter.
- The Chairman had sought clarification from the Section 151 Officer that the audit misstatement identified was due to a capital invoice that had been missed, but since been paid.
- A Member praised Officers for their implementation of the IFRS16 but noted concern that posting journals without independent review had been repeatedly flagged. The external auditor responded that management review control had been repeatedly raised in most

authorities due to the high threshold for qualifications within the team needed to comply with the audit standard.

The Year-end report (ISA 260) 2024-25 was noted by the committee.

67. Auditors Annual Report 2024-25

The Auditors Annual Report 2024-25 was introduced by the external auditor.

The annual audit report outlined the procedures undertaken to determine that no material misstatements were identified for the following areas:

- Valuation of land and buildings
- Valuation of investment properties
- Management override of controls
- Valuation of post-retirement benefit obligations.

Whilst the audit identified a risk regarding the Council not meeting the draft accounts production deadline, the audit was satisfied this did not amount to a significant weakness in governance arrangements at the Council.

The head of internal audit opinion was rated as moderate assurance.

It was confirmed that the Value for Money statement was the final version of the document previously presented to the committee in November 2025 and no signs of weakness had been identified.

Discussions commented on the following:

- A Member praised the financial management of the Council, given the audit findings. However, they did express a desire to be kept informed of medium-term factors to be wary of.
- The Section 151 Officer expressed Officers would endeavour to meet the upcoming deadline for draft accounts but noted that their emphasis was on meeting the deadline for the final accounts.

The Auditors Annual Report 2024-25 was noted by the committee.

68. Statement of Accounts 2024-25

The Statement of Accounts 2024-25 were introduced by the Section 151 Officer.

The back stop deadline for completion of the audit of 2024/25 Statement of Accounts was 27 February 2026. The completion of the Statements had meant that the Council met the statutory deadline.

The Annual Governance Statement was reviewed by the external auditors, who confirmed there were no substantive amendments in terms of identification of further significant governance issues.

The 'Narrative Report' section of the Statement of Accounts provided a guide to the most significant matters reported. It explained the Council's financial position and assisted in the interpretation of the accounting statements. It provided information about the District, including; issues and challenges affecting the Council and its accounts, the political composition, the ambitions of the Council and an overview of the many achievements that had been made to improve quality of life for residents, businesses and visitors.

As part of the audit work one uncorrected item was identified. An accrual of £189K (1.47% of total surplus for 2024/25) was missed due to the close proximity to Year End and not highlighted by the service area to the finance team. It was agreed with audit that this would remain unadjusted as it was below our materiality threshold of £1.7m.

During discussions, Members commented on the following:

- The request was made for greater detail about impairments with creditor and debtors over the year. This was acknowledged and it was confirmed that the definition of impairments was within the accounting policies and greater detail was provided within the narrative statement.
- A Member praised the work done by officers to create quality accounts.
- A Member requested clarity about whether Development Plans for Councillors had been undertaken. This was to be clarified with the Monitoring Officer. **ACTION**
- Reassurance was sought whether the Section 151 Officer had any concerns about the Housing Revenue Account. The Section 151 Officer did acknowledge concern about the current level of overspend. It was noted that a report on this was being presented to the Finance Overview & Scrutiny Committee on 24 February 2026.

Following discussions, it was proposed, seconded, and AGREED to:

1. Note the outcome of the audit work undertaken by the Council's external auditors KPMG.
2. Delegate authority to the Deputy Chief Executive and s151 Officer (Chief Finance Officer) to make any final wording changes and accounting adjustments following the conclusion of any outstanding audit queries.
3. Delegate approval of the audited Statement of Accounts and the Letter of Representation to the Chairman on behalf of the Governance and Audit Committee in consultation with the Deputy Chief Executive and s151 Officer (Chief Finance Officer) following the completion of the audit of the 2024/25 Statement of Accounts.

69. Work Programme 2025 - 2026

The Section 151 Officer confirmed the following:

- The Annual Report on Grants and Returns could be removed from the Work Programme.
- The Year-End Preparatory report could be added to outline the actions the Council would be undertaking in order to meet the draft accounts deadline of 30 June 2026.

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

There was none.

The Chairman concluded the meeting at 14.44.

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Action Sheet

To provide members with an update on actions agreed at the 18 February 2026 meeting of the Governance and Audit Committee.

Min no.	Agenda Item	Action(s)	Assigned to	Comments/status	Deadline
68	Statement of Accounts	A Member requested clarity about whether Development Plans for Councillors had been undertaken. This was to be clarified with the Monitoring Officer.	Section 151 Officer / Monitoring Officer		Next meeting, 18 March 2026

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South Kesteven District Council
Internal Audit Progress Report
March 2026



Summary of 2025/26 work

Internal Audit

This report is intended to inform the Governance and Audit Committee of progress made against the 2025/26 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Global Internal Audit Standards in the UK Public Sector. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

Internal audit methodology

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

Internal audit plan 2025/26

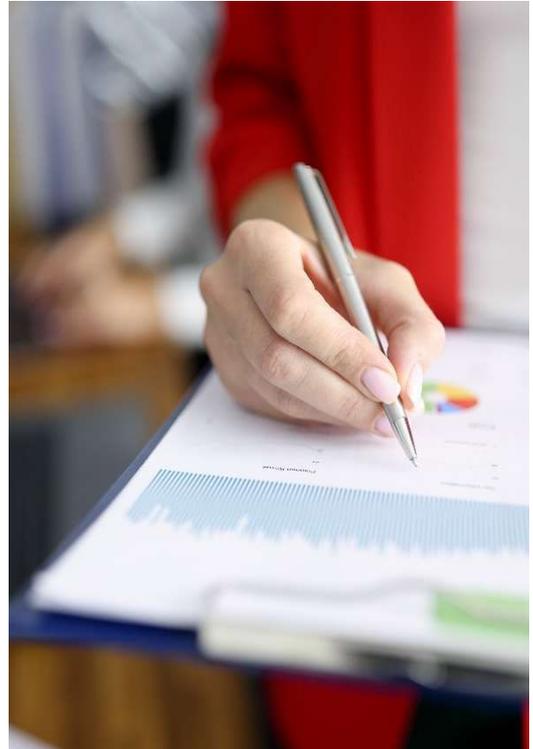
We are pleased to present the following final report to this Governance and Audit Committee meeting:

- ▶ Accounts Payable
- ▶ Market Services
- ▶ Financial Systems and General Ledger.

Fieldwork is in progress in respect of the following audit:

- ▶ Stock Management.

We anticipate presenting this report at the next Governance and Audit Committee.



Review of 2025/26 work

AUDIT	EXEC LEAD	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Climate Plan	Director of Housing	18 June 2025	✓	✓	✓	M	S
Payroll Access	Assistant Director of Finance	23 July 2025	✓	✓	✓	M	S
Voids Management	Director of Housing	24 September 2025	✓	✓	✓	M	M
Performance Management	Director of Housing	13 November 2025	✓	✓	✓	S	M
Treasury Management	Assistant Director of Finance	21 January 2026	✓	✓	✓	M	S
Building Control	Assistant Director of Planning	21 January 2026	✓	✓	✓	S	M
IT Strategy	Deputy Chief Executive	21 January 2026	✓	✓	✓	M	M
Accounts Payable	Assistant Director of Finance	18 March 2026	✓	✓	✓	M	S
Market Services	Deputy Chief Executive	18 March 2026	✓	✓	✓	S	M
Financial Systems and General Ledger	Assistant Director of Finance	18 March 2026	✓	✓	✓	M	S
Stock Management	Deputy Chief Executive	June 2026	✓	✓			

Accounts Payable

SRR REFERENCE: 4: INEFFECTIVE FINANCIAL MANAGEMENT

Design Opinion	M Moderate	Effectiveness Opinion	S Substantial
Recommendations	0	1	1

SCOPE

Areas reviewed

- ▶ Accounts Payable (AP) is a critical function within South Kesteven District Council (the Council), which is responsible for processing and managing payments to suppliers for goods and services received. Effective management of Accounts Payable processes ensures timely and accurate payments, helps maintain good supplier relationships, and supports in financial management and reporting.
- ▶ The Council’s main financial system (Unit4) is used to process supplier invoices and payments. The Council transitioned to using Unit4 for more robust processing of transactions, with the old system lacking available updates to facilitate this.
- ▶ Most Accounts Payable transactions are recorded on Unit4, which records all aspects of the purchasing process; including requisitioning, goods receipted, invoice received, and payments. All payments must be approved through the appropriate approval limit as stated in the Scheme of Delegation (which forms part of the Unit4 Regulations). These purchases must still be processed using the requisition form and approved by the budget holder prior to an order being made.
- ▶ As part of the Internal Audit function's annual plan, a review of the Accounts Payable processes was conducted to provide assurance on the adequacy and effectiveness of the controls in place and to support the annual opinion on the Council's control environment.

AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ Accurate and Timely Processing of Accounts Payable Transactions were noted in all sampled transactions which confirmed that invoices were accurately recorded, correctly coded, and supported by appropriate documentation.
- ▶ Unit4 maintains a comprehensive workflow and transaction log that records invoice capture, coding, matching, approval, posting, and payment. This provides the ability to trace transactions from source documentation through to final payment, supporting transparency, accountability, and audit assurance.
- ▶ Purchase orders (PO) are consistently used across transactions processed in Unit4 with sufficient reasoning and approvals provided for transactions processed via old system without POs. Where invoices were PO-backed, matching, goods receipting, and approval controls were applied appropriately through Unit4 workflows.
- ▶ There is clear scheme of delegation evidenced in workflow evidence confirming that invoices were approved by officers with the appropriate level of delegated authority, including budget managers, project officers, and directors as applicable. There was clear evidence of compliance with approval requirements across all samples tested.
- ▶ Supplier setup, invoice processing, and payment runs, all operate within Unit4's workflow framework, providing a consistent control environment and reducing reliance on manual approvals outside the system.


AREAS OF CONCERN

Finding	Recommendation and Management Response
<p>Lack of formal management information and KPI reporting for Accounts Payable performance. While Unit4 contains relevant reporting functionality, this is not currently being used to support routine performance monitoring or risk identification (Finding 1 - Medium).</p>	<p>1a. Develop a formal Accounts Payable MI and KPI reporting framework. Key metrics such as invoice processing times, % paid within 30 days, PO compliance, aged creditors, unmatched invoices, supplier amendments and payment run exceptions should be agreed, monitored and routinely reported to senior management.</p> <p>1b. Review the capability of Unit4 reporting and dashboards to support structured MI production, including the utilisation of Unit4’s reporting and analytics functionality to automate monthly reports and enable consistent oversight of AP performance.</p> <p><u>Management Response</u></p> <p>1a. The workflow functionality of the system provides daily reminders for council staff on what approvals are required to support efficient payment and processing of invoices. However, it is recognised this can be further developed with additional reporting. Officers are therefore actively working on updated metric reports for regarding accounts payable data taking learning and support from the software provider.</p> <p>1b. As part of the scope for phase 2 regarding the ongoing development of the finance system the potential for developing dashboards regarding accounts payable metrics will be explored.</p> <p><u>Responsible Officer and Implementation Date</u></p> <p>1a. Exchequer and Systems Manager 1b. Assistant Director of Finance</p> <p>1a. June 2026 1b. June 2026</p>

**CONCLUSION**

We conclude that the Council has a **Moderate** design and **Substantial** effectiveness of controls for the management of its Accounts Payable function.

Control Design

The control design is **Moderate** because there is generally a sound system of internal control designed to achieve system objectives with some exceptions. The Council has implemented a workflow-driven financial system (Unit4) with embedded approval routes, and sample testing demonstrated that invoices were accurately recorded, supported by appropriate documentation and approved in line with delegated authority.

However, overall control is weakened by the absence of a formal Management Information (MI) and key performance indicator (KPI) framework for Accounts Payable.

Control Effectiveness

The effectiveness of controls is assessed as **Substantial**, with controls in place noted as being consistently applied. Operationally, Accounts Payable transactions tested were processed accurately, appropriately authorised and supported by evidence, demonstrating that key processing controls are functioning in practice.

We recognise the scale and complexity of the Council's transition to a new financial system and acknowledge that Unit4 processes are still being embedded and refined. The improvement areas largely reflect the need to complete the formalisation and governance phase of the implementation, rather than fundamental failures in transactional processing.

Addressing these will strengthen the control environment, improve transparency and oversight, and provide greater assurance over the integrity and resilience of the Accounts Payable function.

Market Services

SRR REFERENCE: 3: SERIOUS HEALTH, SAFETY AND WELL-BEING FAILURE BY THE COUNCIL

Design Opinion	S Substantial	Effectiveness Opinion	M Moderate
Recommendations	0	0	2



SCOPE

Areas reviewed

- ▶ We assessed the process for market fee collection, including reconciliation and record-keeping procedures, and assessed the progress in implementing cashless payment options.
- ▶ We reviewed a sample of ten trader fee records across market days to verify whether correct rental charges were applied in line with published fees and charges.
- ▶ We determined whether the Council had implemented steps to formalise market operatives' employment status and obtained a list of market operatives and for a sample of three employees tested their employment status to verify the existence (or absence) of signed contracts or terms of engagement.
- ▶ We reviewed three past attendance records and shift rotas for selected markets to assess operational coverage and whether the markets were impacted by staff shortages or short notice cancellations.
- ▶ We reviewed access controls to market facilities and validated whether unauthorised access, such as that by former employees or contractors, had been removed.
- ▶ We reviewed progress against the Action Plan by assessing the status of each action item and identifying tasks that were incomplete or significantly delayed.
- ▶ We reviewed supporting documentation, meeting minutes, and reports that tracked the progress of implementation. We assessed whether responsibilities were clearly assigned and whether management reporting provided adequate visibility into progress and challenges.
- ▶ We assessed the status and adequacy of health and safety risk assessments and method statements to ascertain whether these had been completed and were up to date.
- ▶ We investigated if the market operatives have completed appropriate training for manual handling and road safety by reviewing training records and materials.
- ▶ We reviewed invoices and disposal records to determine if waste management expenses aligned with service use and confirmed whether waste disposal fees were consistently applied to traders generating excess waste.



AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ Each of the three markets at Grantham, Stamford and Bourne has been identified as being well staffed on review of operational coverage as part of testing. This helps the Council mitigate any disruptions that might be caused by employee shortages or increased demand. The Markets Manager supervises planning of staffing levels, ensuring each market has sufficient coverage based on the expected number of traders.
- ▶ The Council maintains risk assessments for both market operations and for driving to work. Market operation assessments are reviewed annually (with an observation

raised for the lack of annual update for the risk assessment for driving to work), with the next review due in March 2026, and are also revised accordingly in line with any incidents occurring at markets, ensuring they stay up to date with evolving health and safety issues. Incident reports are completed to help inform these updates, and the General Compliance Officer reviews the assessments to confirm adherence with the Council’s health and safety arrangements.

 AREAS OF CONCERN	Finding	Recommendation and Management Response
	<p>There were two low findings, the first being the lack of clear documentation of which training is mandatory for each role, which makes it difficult to confirm whether all necessary personnel are fully trained in line with their job requirements. The second, inconsistent and manual fee collection processes, with our tested sample of trader fees, noting instances of mischarging of fees.</p>	<p><u>Management Response and Responsible Officer and Implementation date</u></p> <p>Management has provided reasonable responses and has committed to show progress on improving these areas by 30 April 2026 for the finding regarding training and for dates ranging between 31 March 2026 and 30 September 2026 for the finding relating to trader fee collection and attendance sheets. The Responsible Officer for both findings is the Markets Manager.</p>


CONCLUSION

We conclude that the Council has a **Substantial** design of controls and a **Moderate** effectiveness of controls for their Market Services and we have raised two low findings.

Control Design

The control design is **Substantial** because there is a sound system of internal control designed to achieve system objectives.

There was clear evidence of approved charging rates and mechanisms for this, training arrangements in place, and risk assessment arrangements. Therefore, core operational activity had the control designs in place to support the area to be set up to operate effectively.

Control Effectiveness

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

There were areas of concern regarding the collection of fees across the three Council markets, with samples selected as part of testing identifying instances of traders either being undercharged (two occasions noted) or overcharged (one occasion noted).

We were also unable to confirm that all Market employees had completed role specific training to ensure compliance with Council policies and health and safety legislation, through the lack of structured tracking and escalation of non completion.

Financial Systems and General Ledger

SRR REFERENCE: 4: INEFFECTIVE FINANCIAL MANAGEMENT

Design Opinion	M Moderate	Effectiveness Opinion	S Substantial
Recommendations	0	1	3



SCOPE

Areas reviewed

- ▶ The Council’s Financial Regulations and Scheme of Delegation to confirm the required approval thresholds for journals and virements.
- ▶ Tested a sample of five journals to assess whether these were authorised by an appropriate officer and supported by backing documentation.
- ▶ Selected a sample of five budget virements and tested to confirm that:
 - ▶ Virements are supported by valid business justification and documentation
 - ▶ Virements were authorised in line with the Council’s Financial Regulations
 - ▶ There are system controls to restrict virement processing to authorised staff only.
- ▶ Confirmed whether user access permission to the finance system is updated as required and user access logs periodically reviewed.
- ▶ Assessed the effectiveness of audit trail mechanisms for tracking user activities and changes to financial data:
 - ▶ Verified whether audit logging is enabled for all critical financial data and processes
 - ▶ Interviewed key system stakeholders from the Finance Team to assess the level of integrations between Unit4 and other feeder systems to determine the data flows and any inefficiencies or pain points identified.
- ▶ For a sample of control accounts from August 2025 onwards, we confirmed whether there have been reconciliations between Unit4 and other feeder systems and assessed the reconciliation processes between financial systems, including the frequency, timeliness, and accuracy of reconciliations.
- ▶ Examined the training plan developed for the new financial system, attendance records, ongoing support resources and change management process.
- ▶ For a sample of control accounts (three months from each of Payroll, Debtors, Creditors, VAT control accounts) we confirmed that reconciliations:
 - ▶ Have been carried out in a timely manner, in line with Council expectations
 - ▶ Reconciliations are signed and dated by both the preparer and an independent reviewer, maintaining a segregation of duties
 - ▶ Discrepancies (where they exist) were investigated and documented.



AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ The Council has implemented some robust system controls within the Unit4 financial system to ensure user access is appropriately limited to the defined job role. Through a walk-through with the Exchequer and Systems Manager, it was demonstrated that user profiles are restricted to specific menus based on assigned roles and cost centres, preventing unauthorised access to functions outside the underlying responsibilities of

the user. However, it is important to note there were issues identified regarding the periodic review of access permissions, as detailed in Finding 1.

- ▶ Unit4 contains structured workflows that direct approval requests to users based on item value, ensuring efficient processing of key financial activities like purchase orders and invoices. Additionally, alerts for workflow blockages, such as when an employee leaves, allow administrators to promptly reroute tasks, maintaining smooth operations.
- ▶ The Council has collaborated with system developers to tailor the Unit4 system to meet operational needs, using feedback from Budget Managers to fine-tune workflows and authorisation limits.
- ▶ The Council's effective collaboration with developers during the Unit4 system's developmental stage ensured that data transfer from feeder systems, like Adelante, was smooth and tailored to operational needs. The Exchequer and Systems Manager, along with the Senior Accountant, confirmed no concerns regarding data transfer, supported by daily and monthly reconciliations to verify accuracy and comprehensiveness.
- ▶ The Council has established a comprehensive training programme for Unit4, ensuring staff are well-equipped to use the system effectively. This includes detailed process notes, quick cards, and videos accessible via the Unit4 SharePoint Hub, covering essential tasks and processes. Training presentations offer system demonstrations and guide attendees to additional resources. Similar materials are available for Procurement to Pay (P2P) and Source to Contract (S2C) processes. The Exchequer and Systems Manager monitors training completion, ensuring staff remain up to date, supported by accessible supplementary materials. While commendable practices have been identified regarding the resources available to staff managing financial processes within Unit4, it has been observed that the same level of quality in resources has not yet been established for system configuration processes, as detailed in Finding 2.
- ▶ Staff at SKDC have access to comprehensive support for the Unit4 system through both internal and external channels. Internally, queries can be raised with Unit4 leads, and a support ticket log is maintained to track and resolve issues, with guidance available via SharePoint. Externally, SKDC contracts Embridge for additional support, providing a ticketing system for key personnel to access expert assistance when needed.

 AREAS OF CONCERN	Finding	Recommendation and Management Response
	While the foundational elements of robust access controls have been established, certain controls have not yet been fully integrated into the Council's control environment. Specifically, these include periodic access reviews and mechanisms to monitor the activities of super users and system administrators. Additionally, we observed that formal procedures concerning the management of joiners, movers, and leavers have yet to be documented (Finding 1 - Medium).	1a. The Council should implement a documented access management process for Unit4, defining the roles and responsibilities for access management, clearly stating what staff hold ownership for granting, amending and removing access. This should also include processes around how joiners/movers/leavers are added/amended/removed in Unit4. 1b. Unit4 access roles should be reviewed and reconfigured on a defined periodic basis, to take assurance that access rights and permissions are still reflective of current working practices. 1c. A defined periodic review of Unit4 audit logs should be undertaken to take assurance that those who do

	<p>have enhanced system privileges are not abusing these powers.</p> <p><u>Management Response</u></p> <p>1a. There are some high-level process notes in place which will be further developed including who can approve system admin access. A new user access form is in place to formally record any changes to roles and when staff leave to support a full audit trail. There are safeguards in place with IT removing access to single sign on, so staff would be unable to access Unit4 after they have left in any eventually.</p> <p>1b. A user access report will be run and circulated to budget holders on a quarterly basis to check they are happy with the access their staff have to the system.</p> <p>1c. Unit4 audit logs will be reviewed by the Senior Accountant and Exchequer and Systems Manager on a quarterly basis to review system access activity.</p> <p><u>Responsible Officer and Implementation Date</u></p> <p>Senior Accountant and Exchequer and Systems Manager</p> <p>July 2026</p>
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CONCLUSION

We conclude that the Council has a **Moderate** design and **Substantial** effectiveness of controls for the management of general ledger processes and the Unit4 system.

Control Design

The control design is **Moderate** because there is generally a sound system of internal control designed to achieve system objectives with some exceptions. The Council has implemented a workflow-driven financial system (Unit4) with embedded approval routes, and some robust system controls around ensuring access is commensurate to job roles and that certain system functionalities are limited to individuals who require it.

However, overall control is weakened by the lack of controls around reviewing user access, checks to prevent unfettered access, journal authorisation, control account reconciliations and system procedural documentation.

Control Effectiveness

The effectiveness of controls is assessed as **Substantial**, with controls in place noted as being consistently applied. Operationally, general ledger transactions tested were processed accurately, appropriately authorised and supported by evidence, demonstrating that key processing controls are functioning in practice.

We recognise the scale and complexity of the Council’s transition to a new financial system and acknowledge that Unit4 processes are still being embedded and refined. The improvement areas largely reflect the need to complete the formalisation and governance phase of the implementation, rather than fundamental failures in transactional processing.

Addressing these will strengthen the control environment, improve transparency and oversight, and provide greater assurance over the integrity and resilience of the financial processes conducted within Unit4.

Key performance indicators

QUALITY ASSURANCE	KPI	RAG RATING
The auditor attends the necessary, meetings as agreed between the parties at the start of the contract	All meetings attended including Governance and Audit Committee meetings, pre-meetings, individual audit meetings and contract reviews have been attended by either the Engagement Partner or Engagement Manager.	
Positive result from any external review	Following an External Quality Assessment by the Institute of Internal Auditors in May 2021, BDO was found to ‘generally conform’ (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards.	
Quality of work	We received three responses to our audit satisfaction surveys for 2025/26 reviews, with an average score of 4.2/5 for the overall audit experience and for the value added from our work. The number of responses is lower than we would expect, and we will work with management team to increase the number of responses to our surveys during 2025/26.	  
Completion of audit plan	We have progressed the 2025/26 Internal Audit Plan, with three audits presented to this Governance and Audit Committee meeting and other audits in the fieldwork or planning phase.	

Appendix 1

OPINION SIGNIFICANCE DEFINITION

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

RECOMMENDATION SIGNIFICANCE DEFINITION

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

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

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Internal Audit Follow Up of Recommendations Report

South Kesteven District Council

March 2026

27



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SUMMARY TABLE

2024/25	Total Recs	H	M	L	To follow up	Previously complete		Complete		In progress		Overdue		Not Due	
						H	M	H	M	H	M	H	M	H	M
Social Housing Decarbonisation Fund	5	-	5	-	5	-	5	-	-	-	-	-	-	-	-
Homelessness	4	-	4	-	4	-	3	-	1	-	-	-	-	-	-
Income Generation	1	-	1	-	1	-	-	-	1	-	-	-	-	-	-
Business Continuity and Disaster Recovery	6	-	6	-	6	-	5	-	1	-	-	-	-	-	-
Council Tax and Business Rates	2	-	2	-	2	-	2	-	-	-	-	-	-	-	-
Total	18	-	18	-	18	-	15	-	3	-	-	-	-	-	-

2025/26	Total Recs	H	M	L	To follow up	Previously complete		Complete		In progress		Overdue		Not Due	
						H	M	H	M	H	M	H	M	H	M
Climate Plan	4	-	2	2	2	-	-	-	1	-	1	-	-	-	-
Payroll	2	-	2	-	2	-	-	-	1	-	1	-	-	-	-
Voids Management	2	-	2	-	2	-	-	-	1	-	1	-	-	-	-
Performance Management	1	-	1	-	1	-	-	-	-	-	1	-	-	-	-
Treasury Management	2	-	-	2	-	-	-	-	-	-	-	-	-	-	-
Building Control	2	-	1	1	1	-	-	-	-	-	1	-	-	-	-
IT Strategy	3	-	1	2	1	-	-	-	-	-	-	-	-	-	1
Total	16	-	9	7	9	-	-	-	3	-	5	-	-	-	1

SUMMARY NARRATIVE

2024/25

Please find below a summary of the status of implementation of recommendations arising from reports issued in 2024/25.

- ▶ All noted recommendations raised as part of audits conducted for 2024/25 have been noted as completed. This is a positive outcome and reflects good management engagement with the process.

2025/26

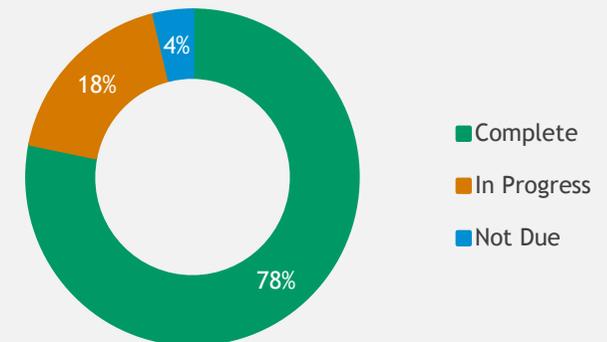
Please find below a summary of the status of implementation of recommendations arising from reports issued in 2025/26.

- ▶ Three of the nine recommendations from the 2025/26 reviews have been completed, five are in progress, and one is not yet due.
- ▶ Extensions for the due dates of the Climate Plan review and Building Control (EMBC) recommendations have been agreed, both now set for 31 March 2026, to ensure thorough scrutiny and approval of the Climate Plan and the Building Control partnership action log.
- ▶ The due date for a recommendation from the Payroll review has been extended. The Council has commissioned iTrent training to guide relevant individuals on correctly adjusting admin roles. Meanwhile, the Council actively progressed the training implementation and maintained a checklist to log system admin access.
- ▶ Extensions have been granted for recommendations from the Voids Management and Performance Management reviews. The Head of Service (Housing Technical Services) and Voids Manager will assess the last three months of major voids to identify delays and propose solutions to reduce void times, with completion expected by March 2026. Additionally, discussions with Service Leads are ongoing to refresh several KPI indicators and targets as part of performance management processes, which are anticipated to be presented to relevant Committees in the second quarter of 2026/27.

REQUIRED GOVERNANCE AND AUDIT COMMITTEE ACTION:

We ask the Governance and Audit Committee to note the progress against the recommendations.

Implementation of recommendations since 2024/25



RECOMMENDATIONS: COMPLETE

AUDIT	ACTIONS AGREED	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
2024-25 Homelessness	1. The Director of Housing and Projects to ensure in the review of the Housing Strategy for period covering 2024-27 that the objectives for homelessness and temporary accommodation are in place which are linked to the Council's main objectives as part of the corporate plan, these should be specific, measurable, and achievable.	Medium 	Director of Housing and Projects	31/03/2025 30/01/2026	<p><u>Management Comments:</u> A new Housing Strategy covering 2025-2030 has been drafted and approved by Cabinet in November 2025 with Homelessness and Temporary Accommodation objectives included and undergoing public consultation.</p> <p><u>Internal Audit Comments:</u> We have received a copy of the new Strategy and have confirmed that this was approved by Cabinet on 4 November 2025. On review of the Strategy there is clear reference to objectives which are linked to corporate actions as per the 2024-2027 Corporate Plan. Actions have been assigned and are to be monitored by the Housing Strategy Monitoring Framework.</p> <p>Evidence was reviewed and deemed sufficient to support the completion of the recommendation.</p>
2024-25 Income Generation	<p>1a. In line with finding two, the Fees and Charging Policy should be shared with all heads of service once it has been finalised. Heads of Service should be clear that the costs should be recovered when completing an uplift on the fees and charges and that sufficient evidence should be retained of the costs to demonstrate this. Where charges are not increased by the cost of providing the service, a subsidy justification form should be completed and approved by an appropriate officer to explain the rationale, i.e. changes in demand, market competition etc.</p> <p>1b. Service areas should complete a documented process analysing its cost base for each fee and charge, with demand and usage forecasts, to demonstrate clear justification for the setting of fees and</p>	Medium 	Assistant Director of Finance and Deputy s151 Officer	30/09/2025	<p><u>Management Comments:</u> An updated Fees and Charges Policy was approved by the Council on 29 January 2026.</p> <p>Included is an appendix which is new to the Policy and provides guidance and support on how to approach the setting of charges. Examples of how the fees have been set for 2026/27 have been provided highlighting the use of time and motion studies to ensure accuracy with supporting templates.</p> <p><u>Internal Audit Comments:</u> We have received a copy of the updated Fees and Charges Policy. It contains adequate reference to support and guide in the practical approach to setting fees and charges.</p> <p>The policy offers guidance to managers on how to cost services, considering factors such as concessions and exemptions to determine the appropriate charges. There is reference within the policy that where the Council controls the level of the charge to be made for a service, it is Council policy that the charge should</p>

AUDIT	ACTIONS AGREED	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
	<p>charges. The Finance Team should provide support to service area.</p> <p>1c. Develop and introduce a comprehensive, standardised fee-setting template for all service areas to use when reviewing and setting fees. This template should include sections for:</p> <ul style="list-style-type: none"> Detailed cost analysis Benchmarking data Inflation consideration Demand and utilisation metric Justification for proposed changes. <p>1d. Trainings and guidance should be provided for all staff involved in the fee-setting process. Training content could include sharing best practices from service areas with robust processes (e.g. Business Waste), addressing common pitfalls and challenges in fee-setting and emphasis on importance of documentation of analysis.</p>				<p>cover the actual costs of providing the service (including overheads).</p> <p>Fees and charges must undergo a detailed annual review and should increase at least in line with the rate of inflation as part of the budget setting process. The Section 151 officer will determine the rate of inflation.</p> <p>We have received examples of how fees have been set for 2026/27 with the Council employing time and motion studies to ensure the proposed charges are accurately set within the templates employed. As included within the Fees and Charges Policy there is reference that all calculations will need to be updated annually by the service areas and reviewed by the Finance Team to sense check the information and methodology being applied.</p> <p>Appendix A of the Policy contains essential information to assist staff in the process of setting fees and charges. It provides clarity on objectives, examines the impact of different charging options, helps in understanding costs and income, and considers public perception.</p> <p>Evidence was reviewed and deemed sufficient to support the completion of the recommendations.</p>
2024-25 Business Continuity and Disaster Recovery	<p>3a. The Council should develop a dedicated testing schedule which should be monitored by the business continuity steering group. This should prioritise testing for service areas that are identified as being critical (i.e. those services which the Council depends upon). The frequency of testing and the allocation of criticality should be reviewed and updated on a regular basis.</p> <p>3b. Following the results of a test or an actual incident, lessons learned that would be of benefit to the wider Council should be included within the Business Continuity Steering Group Action Log. These actions</p>	Medium 	Emergency Planning and H&S Lead	Through 2026	<p><u>Management Comments:</u></p> <p>Annual exercises are being implemented, and they will always include both critical and non-critical. This is in addition to teams engaging with the Lincolnshire Resilience Forum led local exercises and the National Tier 1 exercises, the most recent being Exercise Pegasus held between September and November of 2025.</p> <p>The last exercise for the Council itself was a real response to the flooding in 2025 which saw the instigation of an Incident Management Group.</p> <p>This year's exercise is being currently being planned and is likely to be in April or May of 2026. Lessons learnt are and will be considered following exercises and tests, with reference within the Business Continuity Steering Group Meetings.</p> <p><u>Internal Audit Comments:</u></p>

AUDIT	ACTIONS AGREED	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
	should be allocated a specific owner and have dedicated implementation dates.				<p>We have confirmed that annual exercises are being implemented and that they will also always include both critical and non-critical service areas (i.e. those services which the Council depends on). The Council are continuing to engage with both local and national led exercises.</p> <p>We have received and reviewed a copy of an incident debrief report template for the Council's response to flooding, with key reference noted to overview of the incident, lessons identified and a corresponding action plan following the incident.</p> <p>Evidence was reviewed and deemed sufficient to support the completion of the recommendations.</p>
2025-26 Climate Plan	1a. The Head of Corporate Projects, Performance, and Climate Change should prioritise the implementation of its Green Fleet Strategy by developing a time-bound implementation plan with clearly assigned action owners, deadlines, and measurable success indicators to support delivery and accountability. The Sustainability and Climate Change Manager should improve the action plans by clearly assigning action owners for each task to ensure these follows the SMART strategy.	Medium 	Head of Waste Management and Markets	30/11/2025	<p>Management Comments:</p> <p>An update on the Green Fleet Action Plan was presented to Environment Overview and Scrutiny Committee on 10 November 2025.</p> <p>The Action Plan update includes timescales for each of the actions listed under three main outcomes:</p> <ul style="list-style-type: none"> • Outcome 1 - Facilitate the transition to a carbon neutral fleet through the usage of green technology including electric vehicles and alternative fuels • Outcome 2 - Facilitate the transition to greener driving behaviours and more effective fleet usage by ensuring vehicles are used as efficiently as possible and eliminating unnecessary journeys • Outcome 3 - Ensure the fleet is fit for present and future service delivery. <p>An Officer Project Group including the Head of Waste Management and Markets and Sustainability and Climate Change Manager has also been overseeing progress of the implementation of each of the actions in the Plan including assigning owners to each task and this can be seen in the Internal Project Plan.</p> <p>The Environment OSC will continue to receive updates on the progress of the plan.</p> <p>Internal Audit Comments:</p> <p>We have received the Green Fleet Strategy, which outlines actions, desired outcomes, timescales, and the necessary costs and</p>

AUDIT	ACTIONS AGREED	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
					resources. Additionally, we have reviewed evidence of the Officer Project Group, which is responsible for overseeing the progression and implementation of each action within the plan. Each action has an assigned owner who is held accountable for its completion. Evidence was reviewed and deemed sufficient to support the completion of the recommendation.
2025-26 Payroll	1a. The Exchequer and Systems Manager, in consultation with the Senior HR Officer, should progress discussions with iTrent to finalise and implement automated reporting of all changes to standing data. This should include date and time of when the change was made, user ID and the before and after values subject to change. The report should then be reviewed on a pre-determined basis to identify any anomalies and results of the review should be reported to the Assistant Director of Finance.	Medium 	Exchequer and Systems Manager	30/11/2025	<p>Management Comments:</p> <p>The Council have a user role report in place which is reviewed and checked by the Payroll and HR teams. This has been added the process to the monthly payroll check list. Nothing untoward has been identified to date but if there had, it would be flagged up to the Assistant Director of Finance and Deputy Section 151 Officer.</p> <p>Internal Audit Comments:</p> <p>We have received and reviewed the user role report and can confirm that it contains reference to all changes made to standing data, time and date of when the change was made, user ID and the before and after values subject to change. We have confirmed that the is adequate review and check processes in place to ensure anomalies are identified and escalated accordingly.</p> <p>Evidence was reviewed and deemed sufficient to support the completion of the recommendation.</p>
2025-26 Voids Management	<p>2a. Develop and adopt a formal classification framework defining major, minor, and “large minor” voids, linked to resource allocation and contractor use.</p> <p>2b. Develop a comprehensive end-to-end procedure document that maps all stages of the voids process, including roles, responsibilities, and handover points between Housing and Technical Services (a guide flowchart is included in the report at Appendix II).</p> <p>2c. Introduce clear handover protocols with defined timeframes to minimise and monitor point of delays between teams.</p> <p>2d. Consolidate the two versions of the Voids Policy into a single document and ensure</p>	Medium 	2a, 2d, 2e and 2f - Voids Manager 2b and 2c - Head of Service (Housing Technical Services)	2a to 2e - 31/01/2025 2f - 31/10/2025	<p>Management Comments:</p> <p>Major voids are classified as voids requiring component renewals such as kitchens and bathrooms, all other voids are classified as minor or standard voids. This has been included in new Voids Policy.</p> <p>An end-to-end procedure map has been developed for inclusion as an appendix in the updated Voids Policy. Defined timeframes will be developed as part of the updated Void Policy.</p> <p>The new Voids Policy was approved by Cabinet in February 2026, with the Voids Manager to present the new Policy to Officers in early March. The application of SKVQS discretion will be formalised as part of the updated Voids Policy.</p> <p>Actions will be documented during contractor meetings which will be monitored for completion and escalated in accordance with contractual obligations if they are not completed.</p>

AUDIT	ACTIONS AGREED	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
	<p>the policy and procedures are regularly reviewed with version control and staff are trained on the requirements of the policy.</p> <p>2e. Formalise the application of SKVQS discretion, with clear documentation and authorisation, and embed compliance checks (eg EPC, gas, electrics) into pre-let quality assurance.</p> <p>2f. Strengthen contractor oversight by introducing a structured escalation and action-tracking process linked to contractual obligations.</p>				<p><u>Internal Audit Comments:</u></p> <p>The Policy has been reviewed and contains classification of major and minor voids, with no issues noted. A procedure map is included in new Voids Policy which has been reviewed and sufficiently sets out all stages of the voids process.</p> <p>As included within the Voids Policy there is reference to the following:</p> <ul style="list-style-type: none"> • Defined timeframes for completion works to void properties and the end-to-end void process will be reviewed on an annual basis and informed by benchmarking data and considering the Council’s current annual performance. • The Council’s aim is to set continuously improving targets in line with or exceeding benchmark median quartile performance. <p>The Policy was noted as approved by Cabinet in February 2026, with the Policy also added to the Council’s website, with a review to be undertaken on a yearly basis. We have received evidence of the Voids Team meeting on 3 March 2026 in which the Voids Manager will disseminate and update Officers on the updated Voids Policy.</p> <p>The Council’s updated Voids Policy includes an appendix on the lettable standard, covering the following areas: kitchen, doors, internal woodwork, windows and glazing, ceilings and walls, floors and stairs, bathroom and toilet, heating and services, outside, cleaning and decoration.</p> <p>Reference is made that all properties will meet the Council’s lettable standard as shown in the appendix for lettable standard and the decent homes standard.</p> <p>The tracker developed for documenting actions in the contractor process flow has been received. It records each required action point along with timescales, evidence of timely execution, commentary, and any noted escalation if key performance indicators (KPIs) are not being met.</p> <p>Evidence was reviewed and deemed sufficient to support the completion of the recommendations.</p>

RECOMMENDATIONS: IN PROGRESS

These recommendations have been marked as In Progress as they have not been implemented by their original date; a revised date has been provided.

AUDIT	RECOMMENDATIONS MADE	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
2025-26 Climate Plan	<p>2a. Council to finalise and approve the Climate Action Plan at the earliest opportunity, ensuring it translates each of the eight strategic themes into SMART actions with clear timelines and accountable officers.</p> <p>2b. The Sustainability and Climate Change Manager should incorporate a RAG (Red, Amber, Green)-rated tracking and escalation mechanism within the Plan to support regular performance reporting, enable early identification of delivery risks, and inform climate governance decisions.</p>	Medium 	Sustainability and Climate Manager	30/11/2025 31/03/2026	<p><u>Management Comments:</u></p> <p>The draft Climate Action Plan was presented to Environment OSC on 10 November 2025.</p> <p>The Climate Action Plan provides a workplan from across service areas of the Council consisting of 64 ongoing, short or medium term actions.</p> <p>Each of the outlined actions includes a Lead Officer who is responsible for the implementation or ongoing delivery of the project. The Climate Action Plan also includes a framework for delivery that sets out the remit of the action.</p> <p>The purpose of the Climate Action Plan is not only to track progress in implementing projects to drive down carbon emissions arising from direct Council operations (energy used in Council buildings, fuel used in Council vehicles), but also to set out actions for the Council's wider service delivery and external-facing work with partners to address climate change for the region.</p> <p>It is proposed that twice yearly reporting will be completed on the Action Plan, with updates provided by the Lead Officer. An annual report will also be presented to the Environment Overview and Scrutiny Committee to update on actions, as well as a twice-yearly report to CMT. Any amendments to the plan, following formal adoption of the finalised draft by Cabinet, are proposed to be made by the Director for Housing and Projects in consultation with the Cabinet Member for Environment and Waste.</p> <p>The final version of the Climate Action Plan, with minor amends, is to be discussed at Cabinet on 10 March 2026 and Cabinet is recommended to approve the adoption of the Climate Action Plan.</p> <p><u>Internal Audit Comments:</u></p> <p>We note the progress on this recommendation and will follow up in accordance with the revised implementation due date.</p>

AUDIT	RECOMMENDATIONS MADE	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
2025-26 Payroll	<p>2a. The Exchequer and Systems Manager should review all super user/system administrator profiles and implement a principle of least privilege, restricting access to modules and functions that are not required for the individual's role. Discussions with the provider should explore technical options to segment access without compromising operational efficiency.</p> <p>2b. Exchequer and Systems Manager should work with the provider to enable logging of all user activity, including system administrator actions. This should be supplemented with periodic reviews by a designated officer to identify unauthorised changes, suspicious activity, or access to restricted modules.</p>	Medium 	Exchequer and Systems Manager	30/11/2025 30/04/2026	<p>Management Comments:</p> <p>The Council have been trying to arrange training with iTrent to take relevant individuals through how to make the changes to the admin roles to ensure it is split out correctly. However, due to an initial lack of responsiveness from iTrent to provide quotes and then arrange training this has been delayed despite the Council pushing on this. Training has now been commissioned and booked in for March 2026. The Council have been keeping a checklist to keep a log of who has system admin access.</p> <p>The Council have a user role report in place which is reviewed and checked by the Payroll and HR teams. This has been added the process to the monthly payroll check list. Nothing untoward has been identified to date but if there had, it would be flagged up to the Assistant Director of Finance and Deputy Section 151 Officer.</p> <p>Internal Audit Comments:</p> <p>We note the progress on this recommendation and will follow up in accordance with the revised implementation due date.</p>
2025-26 Voids Management	<p>1a. Technical Services Manager should strengthen KPI governance by:</p> <ul style="list-style-type: none"> Ensuring that where void KPIs are missed, documented action plans with defined owners and timescales are developed Escalating persistent underperformance through Technical Services governance routes to senior leadership Incorporating benchmarking analysis (regional/national/Housemark) into KPI packs to support context and accountability. <p>1b. The Technical Services Manager should review the drivers of major void durations and develop targeted interventions (e.g. contractor capacity, repair process redesign).</p>	Medium 	Head of Service (Housing Technical Services)	31/12/2025 31/03/2026	<p>Management Comments:</p> <p>Monthly KPI (key performance indicator) reports are sent to the Senior Team via email. Quarterly performance reports are sent to the Housing OSC which document performance tables. A covering reports in included on the Housing OSC papers, with corporate reporting occurring every quarter.</p> <p>Housemark benchmark figures are included within KPI sheets and a KPI sheet for voids with Housemark figures has been added for benchmarking purposes.</p> <p>The Head of Technical Services and the Voids Manager are to review last three months of major voids to identify jobs that have taken too long and make recommendations to reduce void times. This process is expected to be completed in March 2026.</p> <p>Internal Audit Comments:</p> <p>We will follow up on the action to recommendation 1b in accordance with the revised due date. Evidence to support the management comments was received to support the completion of recommendation 1a.</p>

AUDIT	RECOMMENDATIONS MADE	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
2025-26 Performance Management	The Head of Corporate Projects, Performance and Climate Change should: 1a. Introduce a formal escalation process to ensure KPI updates are consistently provided each quarter. Where services fail to provide timely updates or commentary, this should be challenged directly with the relevant service lead or KPI owner, with non-compliance escalated to CMT. A quarterly monitoring log should be maintained to evidence follow-up action sand hold service accountable. 1b. Ensure that all exceptions (eg KPIs paused due to leadership changes or awaiting action plans) are formally documented by the Corporate Projects and Performance Team and highlighted in reports to the relevant Overview and Scrutiny Committee and Cabinet, for continuity and completeness.	Medium 	Policy Officer	30/11/2025 31/08/2026	Management Comments: The Council are working on bringing forward a Performance Management Framework (likely very similar to the North Kesteven DC document) to formalise the KPI reporting process as recommended in the audit. Discussions are ongoing with Service Leads on refreshing several KPI indicators and targets. This is expected to be brought to relevant Committees in quarter two of 2026/27. Internal Audit Comments: We note the progress on this recommendation and will follow up in accordance with the revised implementation due date.
2025-26 Building Control (EMBC)	The Building Control Manager should embed a closed-loop performance cycle: 1a. Seeking ways to obtain more feedback response by engaging options like we have described recommendation 1e, to help further analyses of customer satisfaction. 1b. Consolidate monthly survey metrics into a standard KPI dashboard (including inspection booking reliability, website request completion rate, contact responsiveness, and AM/PM slot adherence) 1c. Maintain a partnership action log with owners, target dates, and closure evidence. 1d. Escalate negative cases and repeated themes to the Partnership Board with a brief “you said—we did” summary; and	Medium 	Assistant Director (Planning and Growth) Building Control Manager	1a and 1b - 31/07/2025 1c - 28/02/2026 31/03/2026 1d - 31/03/2025 1e - 31/05/2026	Management Comments: A link to the satisfaction survey is now sent to agents following the issue of a decision notice. This will help increase the return rate as well as receiving feedback from other stakeholders. As part of the building regulation application process, to enable a completion certificate to be issued for a building project, there is a requirement for the Client to submit a ‘Notice of Completion’ form. The form requires all Duty Holders (Client, Principal Designer, Principal Contractor) to sign. The Council have now included a further question at the bottom of the form which asked about the quality of the service provided and asking for a rating between 1 and 5 which also includes a comments box. Work is currently underway to create a KPI dashboard and the scope of this will be reviewed to include the suggested elements raised within the audit. The Council have created a SharePoint folder that the partners have access to. This will contain an excel spreadsheet log that has all the required information on it as well as a folder for any

AUDIT	RECOMMENDATIONS MADE	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
	<p>verify fixes (e.g., automated inspection confirmation emails and web-form work queues) and reflect outcomes in subsequent dashboards.</p> <p>1e. EMBC could further strengthen feedback engagements using regular agent forums to promote survey participation and by publishing a 'You said, we did' summary on the EMBC and partner council websites. This would improve visibility of learning from feedback and help demonstrate continuous improvement beyond survey collection alone.</p>				<p>evidence. The log will be a standing item on the Board meeting agenda, with the next meeting on 11 March 2026.</p> <p>The feedback survey data is currently shared with the partners and within the wider team. A log will be created to enable monitoring of key themes and review actions or service improvements that have occurred because of any of the feedback received.</p> <p>This will now be a standing item on the Board meeting agenda. Negative comments are not very common and can be listed in a simple word document.</p> <p>As stated above, a developers/agents forum will be set up, and this can be used to obtain further feedback and provide updates about service improvements/changes.</p> <p><u>Internal Audit Comments:</u></p> <p>We will follow up on the action to recommendation 1c in accordance with the revised due date to allow sufficient time to collate evidence of the presentation of the partnership action log as part of the Board meeting agenda on 11 March 2026.</p>

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INTERNAL AUDIT PLAN
South Kesteven District Council

2026/27



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INTERNAL AUDIT APPROACH

BACKGROUND

Our internal audit's risk-based approach begins with South Kesteven District Council's risk management processes and risk register, reflecting the Council's assessment of risks to achieving its strategic objectives.

Our reliance on management's perception of risk is contingent on the maturity and effectiveness of the Council's risk management arrangements. In determining the audit resources needed for significant risks, we have verified that senior management's risk assessment accurately reflects the Council's current risk profile.

PLANNED APPROACH TO INTERNAL AUDIT 2026/27

The indicative Internal Audit programme for 2026/27 is set out on pages 9 to 15. We met with the Corporate Management Team to bring together a full plan, which was then presented to the Governance and Audit Committee for review. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.

The plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risks would be looked at over a three-year audit cycle. We have suggested future areas of focus as part of the three-year strategic internal audit plan, set out on pages 7 and 8.

HIGH RISK AREAS NOT INCLUDED

The following high-risk areas have not been included in our audit plan for 2026/27:

- Cyber security is one of the highest risks facing public sector organisations due to the nature of threats and the increasing hostile actors targeting public sector organisations. We have considered this as part of our risk-based audit plan, however, as cyber security has been performed by the previous Internal Auditor in 23/24, we do not feel that another review in 26/27 is necessary.
- No audit performed for SRR 9 - Housing Revenue Account (HRA). The Finance and Economic Overview and Scrutiny Committee receive quarterly updates on the HRA which we have read, and we understand and recognise the reasons that this area is of higher risk. Whilst we have not allocated any days in our 2026/27 Plan at this stage, in discussion with management, we have agreed that our contingency days (20 days) would be used as first priority for reviews in relation to this risk. Over 2026/27 we will monitor this area and bring to the Committee seeking approval any reviews which are utilised from the contingency days for this risk and/or other areas.

Further detail is included on page 16.

INDIVIDUAL AUDITS

When scoping each review, we'll reassess the estimated days needed to meet objectives and complete the work to a good standard, considering the Council's control environment. Any necessary revisions will be approved by the Group Finance Director before fieldwork begins.

In determining the timing of our individual audits, we will seek to agree a date which is convenient to the Council, and which ensures availability of key management and staff and takes account of any operational pressures being experienced.

VARIATIONS TO THE PLAN

We review the three-year strategic plan each year to ensure we remain aware of your ongoing risks and opportunities. Over the coming pages we have mapped your key risks along with the audit work we propose to undertake, demonstrating we are focussing on your most important issues.

As such, our strategic audit programme follows the risks identified during our planning processes and confirmed via discussions with the Corporate Management Team. If these were to change, or emerging risks were to develop during this period, we would take stock and evaluate our coverage accordingly.

RESOURCING

The plan has been drafted giving consideration to the Council's budget and how coverage can be best obtained. Resource will be adequate to ensure the delivery of agreed reports to time, except where this is outside of our control. BDO has a core group of professionally qualified staff, including Chartered Accountants and Institute of Internal Auditors qualified staff, as well as other specialists and experienced auditors. Our team is fully attuned with modern internal audit practice and recognised risk and governance standards.

Subject to approval of the budget, we can confirm that we have sufficient human, financial and technological resources to deliver the internal audit plan.

CORE INTERNAL AUDIT TEAM

The core team that will be managing the internal audit programme is:

NAME	ROLE	QUALIFICATION	EMAIL & TELEPHONE
Gurpreet Dulay	Partner	CIPFA	Gurpreet.Dulay@bdo.co.uk
Joe Taylor	Assistant Manager	ACA	Joe.B.Taylor@bdo.co.uk

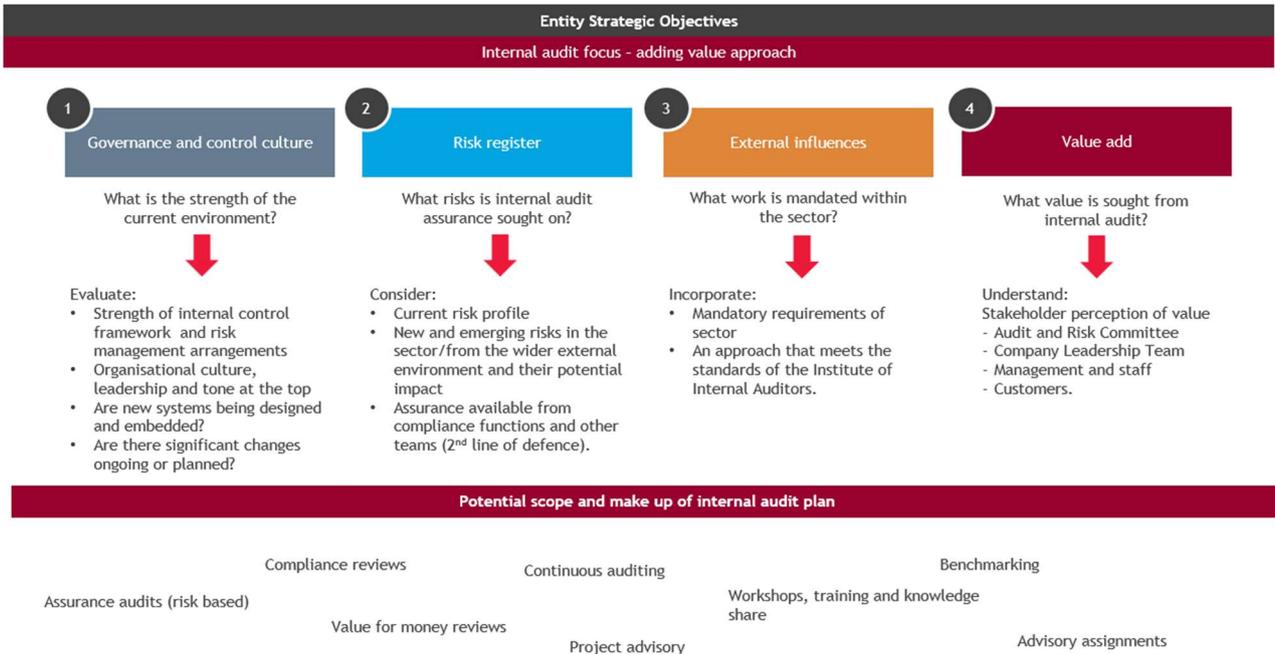
This team will be supported by our public sector internal auditors and members of our wider Risk Advisory Services (RAS) team, and wider firm, as and when required.

CONFLICTING DEMANDS, LIMITATIONS AND RESTRICTIONS

At the time of drafting this internal audit plan we are not aware of any conflicting demands for services between major stakeholders, such as high-priority requests based on emerging risks and requests to replace planned assurance engagements with advisory engagements.

We are also not aware of any limitations on the scope of work or restrictions on our access to information.

OUR APPROACH TO PLANNING



GOVERNANCE AND CULTURE

The governance and control culture is a fundamental consideration when developing the internal audit approach. We believe that governance is not only affected by procedures, rules and regulations (hard controls); another equally important component is the established culture and behaviour of employees within the Council, as these determine the effectiveness of governance.

We have developed an understanding of these areas through a combination of our discussions with you about your business strategy and through review of documents such as your Annual Report and Accounts, your Annual Governance Statement, your corporate plan and previous internal audit reports, as well as the work we conducted between 2024/25 and 2025/26.

Assessment of culture and behaviour will be a key theme throughout the delivery of our work, and we will look to provide insight into whether these cultural factors support ethical behaviour on an ongoing basis.

In deriving the plan for 2026/27 and onwards we will focus on any planned and ongoing changes to core systems and processes to respond to the changes in the wider environment, notably changes that will occur as a result of local government reorganisation. We will be mindful of this significant change and the impacts this can have on control culture during the delivery of the plan.

EXTERNAL INFLUENCES

Our programme of work is designed to comply with the Global Internal Audit Standards in the UK Public Sector, which encompass:

- ▶ The global Institute of Internal Auditors (IIA) *Global Internal Audit Standards* (GIAS)
- ▶ The Internal Audit Standards Advisory Board (IASAB) *Application Note Global Internal Audit Standards in the UK Public Sector*.

We will also consider in our work any externally imposed regulation relating to governance, risk and control.

CURRENT STRATEGIC RISK REGISTER

On an ongoing basis, our audit plan will be based upon a detailed assessment of those risks that affect the achievement of the Council's strategic objectives. Our audit programme will be designed to ensure that controls are in place such that key risks are appropriately managed and controlled. To understand the Council's objectives and key risks, we considered the following:

- ▶ The Council's strategy and objectives
- ▶ The Council's Strategic Risk Register
- ▶ The Council's financial forecasts and performance
- ▶ Reports from other assurance providers
- ▶ The content of your most recent internal audit reports, the results of which are summarised in Appendix I.

The internal audit plan and Strategic Risk Register will be periodically reviewed during 2026/27. Should the plan need to change we will seek approval from the Governance and Audit Committee.

VALUE ADD

We understand that 'value' is perceived differently by each client and therefore we do not seek to have a standard approach to this element of the audit programme.

Our methodology considers the additional value the Governance and Audit Committee and management are seeking from internal audit, beyond the assurance our work provides.

We therefore consider this alongside our understanding of the risks. Added value may take a range of forms, from benchmarking and other peer comparisons to involvement with advising on new systems implementation, advisory assignments and providing training and seminars.

We will also work with the Corporate Management Team to identify other forms of added value that we may be able to provide to the Council, such as training to staff or committee members on relevant topics. BDO also offer all staff volunteering or 'citizenship days' under our 5+5 Policy. We will work with the Corporate Management Team to identify value adding projects that these days can be allocated to.

OUR NEXT GEN FRAMEWORK

Our innovative Next Gen approach to internal audit ensures you maximise the potential added value from BDO as your internal audit provider and the expertise we bring from our dedicated public sector internal auditors and wider BDO specialist teams.

The Next Gen approach allows us to deliver a healthy mix of assurance that is forward looking, flexible and responsive and undertaken in partnership with yourselves. The key components to this approach are outlined below and underpin our proposed plan coverage:

CORE ASSURANCE

Reviews of fundamental finance and operational systems to provide assurance that core controls and procedures are operating as intended.

SOFT CONTROLS

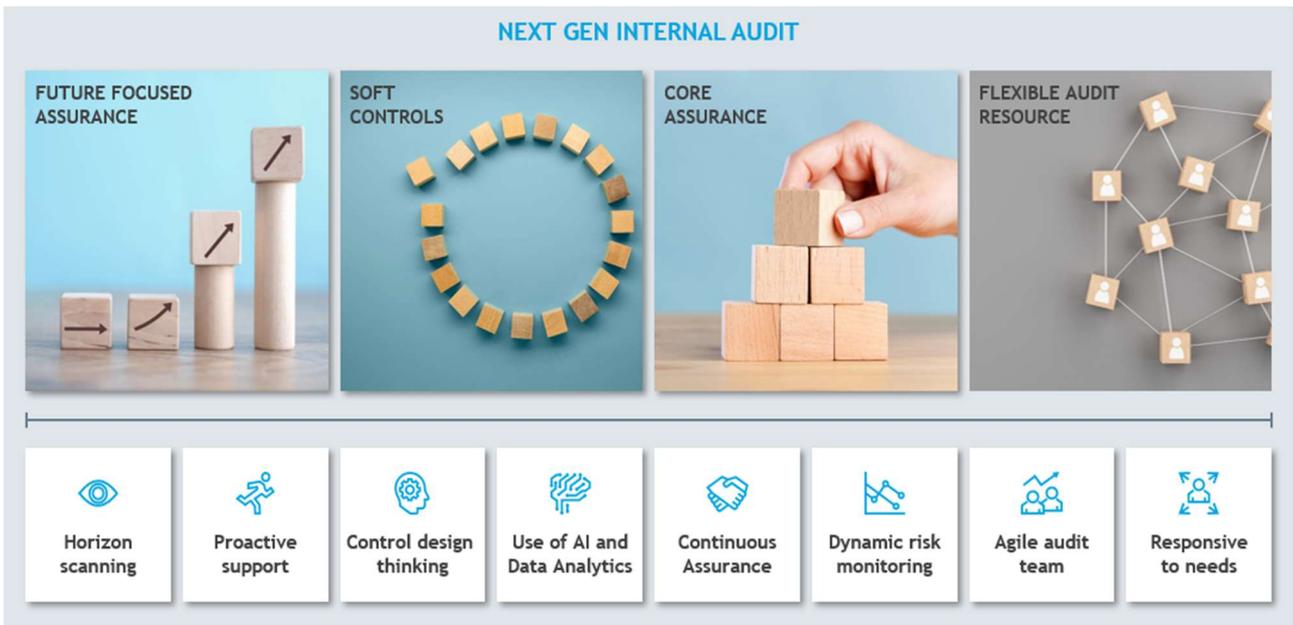
Reviews seek to understand the true purpose behind control deficiencies and provide a route map to enhance their effectiveness.

FUTURE FOCUSED ASSURANCE

Rather than wait for implementation and then comment on identified weaknesses, we will work with you in an upfront / real time way.

FLEXIBLE AUDIT RESOURCE

Undertake proactive work across the Council, perhaps in preparation for regulatory reviews or change management programmes.



MAPPING YOUR STRATEGIC RISKS

REF	STRATEGIC RISKS FROM YOUR SRR	NET SCORE	RATING
1	Successful/serious cyber security attack on the Council	13	
2	Health, Safety, Wellbeing, and Safeguarding failures by the Council	10	
3	Unable to maintain financial sustainability	10	
4	Unable to maintain and build sufficient staffing capacity and capability	9	
5	Unable to meet requirements of new regulations and legislation affecting the Council	9	
6	Societal, demographic and cultural changes impacting on communities within the district	5	
7	Major Governance Failure	9	
8	Significant fraud/theft successfully committed against the Council	10	
9	Increasing pressure on the Housing Revenue Account (HRA) viability due to the challenges of providing and maintaining quality social housing provision within the district	14	
10	The implications and general uncertainty of Local Government Reorganisation on the Council	15	
11	Not leveraging the opportunities of Devolution	12	

MAPPING YOUR SRR TO THE STRATEGIC PLAN

REF	STRATEGIC RISKS FROM YOUR SRR	2026/27	2027/28	2028/29	OTHER ASSURANCE
1	Successful/serious cyber security attack on the Council	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Cyber Security 	<ul style="list-style-type: none"> Data Protection, EIR and Subject Access Request 	<ul style="list-style-type: none"> NCSC Cyber Assessment Framework (CAF) achieved and Strategy in place
2	Health, Safety, Wellbeing, and Safeguarding failures by the Council	<ul style="list-style-type: none"> Planning Services - Planning Application and Case Management Sickness and Absence Management Equality, Diversity and Inclusion 	<ul style="list-style-type: none"> Safeguarding 	<ul style="list-style-type: none"> Housing Benefit Commercial Waste Services, Bins, Street Care and Recycling Equality, Diversity and Inclusion Maturity Assessment 	<ul style="list-style-type: none"> Annual Health and Safety Report Independent Reports by Local Government Ombudsman
3	Unable to maintain financial sustainability	<ul style="list-style-type: none"> Rent Collection Accounts Receivable Asset Management Strategy - General Fund Procurement Cards 	<ul style="list-style-type: none"> Council Tax and NNDR 	<ul style="list-style-type: none"> Main Financial Systems 	<ul style="list-style-type: none"> External Audit Review of Annual Accounts
4	Unable to maintain and build sufficient staffing capacity and capability	<ul style="list-style-type: none"> Sickness and Absence Management Equality, Diversity and Inclusion 	<ul style="list-style-type: none"> Recruitment and Retention 	<ul style="list-style-type: none"> Equality, Diversity and Inclusion Maturity Assessment 	<ul style="list-style-type: none"> N/A

REF	STRATEGIC RISKS FROM YOUR SRR	2026/27	2027/28	2028/29	OTHER ASSURANCE
5	Unable to meet requirements of new regulations and legislation affecting the Council	<ul style="list-style-type: none"> • Renters Right Act - Response to new statutory responsibilities 	<ul style="list-style-type: none"> • Parking 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Independent Reports by the Local Government Ombudsman
6	Societal, demographic and cultural changes impacting on communities within the district	<ul style="list-style-type: none"> • Equality, Diversity and Inclusion • LGR Programme Governance and Readiness Review 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Equality, Diversity and Inclusion Maturity Assessment 	<ul style="list-style-type: none"> • N/A
7	Major Governance Failure	<ul style="list-style-type: none"> • Planning Services - Planning Application and Case Management • LGR Programme Governance and Readiness Review 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Business Continuity and Disaster Recovery 	<ul style="list-style-type: none"> • N/A
8	Significant fraud/theft successfully committed against the Council	<ul style="list-style-type: none"> • Procurement Cards 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • External Audit Review of Annual Accounts
9	Increasing pressure on the Housing Revenue Account (HRA) viability due to the challenges of providing and maintaining quality social housing provision within the district	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Social Housing Decarbonisation Fund (Wave 3) 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Internal Corporate Performance Reports
10	The implications and general uncertainty of Local Government Reorganisation on the Council	<ul style="list-style-type: none"> • LGR Programme Governance and Readiness Review 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • N/A
11	Not leveraging the opportunities of Devolution	<ul style="list-style-type: none"> • LGR Programme Governance and Readiness Review 	<ul style="list-style-type: none"> • Financial Sustainability and Savings Realisation 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • N/A

INTERNAL AUDIT OPERATIONAL PLAN 2026/27

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION (INCLUDING ANY RELEVANT TOPICAL REQUIREMENTS)
Core Assurance					
Accounts Receivable	3	20	Q1	<p>To review the effectiveness of the Council's income billing and debt recovery arrangements by examining:</p> <ul style="list-style-type: none"> • Accuracy and timeliness of invoice generation • Aged debt monitoring, escalation and enforcement • Write-off approvals and reconciliation to the general ledger • Recovery performance across service areas with sample testing to confirm completeness and accuracy of receivables transactions. 	<p>Accounts receivable forms a critical part of the Council's cashflow and financial sustainability. Weaknesses in billing and recovery can lead to avoidable arrears, reduced liquidity, and budget pressures. With the Council's financial environment becoming more challenging, robust debt control is essential to mitigate income loss and support the Medium-Term Financial Plan.</p>
Asset Management Strategy - General Fund	3	20	Q1	<p>To evaluate the adequacy and effectiveness of the Council's approach to managing General Fund assets by reviewing:</p> <ul style="list-style-type: none"> • Completeness and accuracy of the corporate asset register • Condition surveys, maintenance planning and backlog management • Asset utilisation and performance monitoring • Disposal, acquisition and investment decision making processes. 	<p>The General Fund asset base is significant to the Council's financial resilience and long-term service delivery. Ineffective asset management can result in underutilised assets, unexpected maintenance liabilities or loss of asset value. As the Council continues to rationalise its estate and respond to increasing service pressures, assurance is required over stewardship, valuation and performance of assets.</p>

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION (INCLUDING ANY RELEVANT TOPICAL REQUIREMENTS)
Planning Services - Planning Application and Case Management	2,7	15	Q3	<p>To review the efficiency, accuracy and transparency of the planning application and case-handling process, including:</p> <ul style="list-style-type: none"> • Validation, consultation and decision-making controls • Timeliness of case progression against national performance indicators • Quality and completeness of documentation • Enforcement follow-up and appeals handling. 	<p>Planning remains a high-profile service with statutory performance expectations and reputational risks. Increasing development pressure and capacity challenges can lead to delays, inconsistent decisions or legal exposure. This review will assess whether planning processes are resilient, well-controlled and capable of meeting service demands.</p>
Procurement Cards	3,8	20	Q4	<p>To evaluate the controls over procurement card usage by reviewing:</p> <ul style="list-style-type: none"> • Cardholder permissions and spend limits • Transaction monitoring, approval and reconciliation • Documentation and audit trail for purchases • Compliance with financial regulations and procurement rules. Sample transactions will be tested for validity, approval, and supporting evidence. 	<p>Procurement cards carry inherent fraud and misuse risks. With cost pressures continuing, it is essential that Procurement card spend is well-controlled, fully supported and compliant. This audit will provide assurance that expenditure is appropriate and that monitoring arrangements prevent loss and ensure accountability.</p>
Rent Collection	3	20	Q3	<p>To review the effectiveness of rent billing, arrears monitoring and income recovery for Housing services by examining:</p> <ul style="list-style-type: none"> • Rent setting and annual billing accuracy • Monitoring of arrears, early intervention and escalation pathways • Repayment arrangements and enforcement action 	<p>In 2023/24, the Council budgeted rental income at c£23,7m, and as of Dec 2023, collection stood at c£20.1m (against expected invoices of c£28.2m). Rental income is a major funding stream for Housing and critical to maintaining stock condition and service provision. Rising arrears pressures, cost of living challenges and increasing demand for social housing heighten the importance of effective rent collection. Material scale of the income stream and the</p>

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION (INCLUDING ANY RELEVANT TOPICAL REQUIREMENTS)
				<ul style="list-style-type: none"> Write-offs, void rent loss and reconciliation processes. Sample tenancy accounts will be reviewed for completeness and accuracy. 	income collection risk could lead to significant income loss and financial instability.
Sickness and Absence Management	2,4	15	Q3	<p>To review the Council's sickness and absence management framework by examining:</p> <ul style="list-style-type: none"> Recording accuracy in HR systems Monitoring of short and long-term absence Trigger compliance and return-to-work documentation Occupational health referrals and case handling Workforce reporting and management oversight - a sample of absence cases will be tested for compliance and consistency procedures. 	Effective management of sickness absence is vital for workforce capacity, cost control and service resilience. Increasing workloads and recruitment challenges place additional pressure on staffing. Weaknesses can lead to high absence levels, increased agency costs and reduced productivity. Assurance is required to ensure the policy is consistently applied and supports both staff wellbeing and operational needs.
Renters' Right Act - Response to New Statutory Responsibilities	5	15	Q4	<p>To assess the Council's readiness and compliance arrangements relating to new statutory duties under the Renters' Rights Act. This includes reviewing:</p> <ul style="list-style-type: none"> Policy updates and implementation planning Tenant communication and rights awareness Licensing, property standards and enforcement functions System updates and record-keeping Staff training and resource allocation. 	The Renters' Rights Act introduces new statutory obligations for local authorities in licensing, enforcement, tenant protection and property standards. Early assurance is essential to mitigate legal, financial and reputational risks arising from non-compliance. The review supports the Council's transition to full compliance and readiness for regulatory oversight.
Total		125			

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION (INCLUDING ANY RELEVANT IIA TOPICAL REQUIREMENTS)
Soft Controls					
Equality, Diversity and Inclusion	2,4,6	15	Q2	<p>Assess how well EDI responsibilities are embedded across the Council by reviewing:</p> <ul style="list-style-type: none"> • EDI policies and communication • Workforce diversity metrics, recruitment and retention practices • Staff training and awareness • Accessibility and fairness in service delivery • Monitoring, reporting and compliance with statutory duties. 	EDI remains a statutory requirement and a key organisational priority, with public expectations increasing. Failure to embed EDI effectively may expose the Council to discrimination claims, reputational harm and poor service outcomes. The review supports assurance over fairness, inclusivity and compliance with the Equality Act across both workforce and service delivery.
Total		15			

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION (INCLUDING ANY RELEVANT IIA TOPICAL REQUIREMENTS)
Future Focused Assurance					
LGR Programme Governance and Readiness Review	6,7,10,11	20	Q4	<p>Assess whether governance arrangements for Local Government Reorganisation (LGR) are robust, well-coordinated, and capable of supporting a controlled and timely transition. The review will examine:</p> <ul style="list-style-type: none"> • Programme governance structure, roles, responsibilities and reporting lines • Clarity and ownership of workstreams (Finance, HR, ICT, Assets, Customer Services, Regulatory) • Risk management, issue escalation and decisionmaking processes • Stakeholder engagement, communications and transparency • Resource planning, capacity and skills alignment • Readiness assessments, implementation planning and monitoring dashboards. 	<p>This is the highest-ranking risk in the January 2026 Strategic Risk Register note this as a major risks linked to organisational change, service transformation, capacity pressures, and regulatory/policy shifts – all of which intensify under LGR. Without strong programme governance, the Council faces risks of:</p> <ul style="list-style-type: none"> • Disruption to critical frontline services • Loss of financial control and budget uncertainty • Inadequate data migration or system integration • Workforce instability or loss of key skills • Missed statutory deadlines or compliance failures. <p>Given the scale and complexity of LGR, early internal audit oversight is vital to support assurance, strengthen readiness, and mitigate transition risks.</p>
Total		20			

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION (INCLUDING ANY RELEVANT IIA TOPICAL REQUIREMENTS)
Flexible Audit Resource - To be allocated during the year as required but could include the examples shown below					
Contingency / Flexible resource	N/A	20	All	Contingency days left to allocate flexible or used to supplement the scope of audits in the plan to broaden the scope.	We have built in an allocation of flexible days into our plan to support the Council on emerging risks or projects during the year.
Total		20			

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Contract Management					
Planning / liaison / management	N/A	8	Q1 - Q4	Creation of audit plan, meeting with Corporate Management Team.	Effective contract management.
Recommendations follow up	N/A	7	Q2 and Q4	Assessment and reporting of status of implementation of recommendations raised.	Assurance for Corporate Management Team and Governance and Audit Committee.
Governance and Audit Committee	N/A	5	Q1 - Q4	Attendance at GAC meetings, pre-meets and GAC Chair liaison.	Effective contract management.
Total		20			

SUMMARY	DAYS
Core Assurance	125
Soft Controls	15
Future Focused Reviews	20
Flexible Audit Resource	20
Contract Management	20
Total days	200

AREAS CONSIDERED BUT NOT INCLUDED IN 2026/27

The following areas have been considered for 2026/27 but have not been included. These will be considered in future years and should any areas of the Internal Audit Plan be removed during the year, we will consider whether any of these can be brought forward.

AREA	SRR	REASON FOR EXCLUSION
Cyber Security	1	Cyber security is a significant risk for public sector organisations due to the nature of threats and the increasing number of hostile actors targeting them. We have considered this in our risk-based audit plan. However, since the previous Internal Auditor conducted a review in 2023/24, we believe another review in 2026/27 is unnecessary.
Housing Revenue Account (HRA)	9	No audit performed for SRR 9 - Housing Revenue Account (HRA). The Finance and Economic Overview and Scrutiny Committee receive quarterly updates on the HRA which we have read, and we understand and recognise the reasons that this area is of higher risk. Whilst we have not allocated any days in our 2026/27 Plan at this stage, in discussion with management, we have agreed that our contingency days (20 days) would be used as first priority for reviews in relation to this risk. Over 2026/27 we will monitor this area and bring to the Committee seeking approval any reviews which are utilised from the contingency days for this risk and/or other areas.

APPENDIX I

PREVIOUSLY AUDITED AREAS

The table below sets out the audits and advisory reviews that we have carried out for the Council over the last two years:

AUDITED AREA	DESIGN RATING	EFFECTIVENESS RATING
2025/26		
Climate Plan	Moderate	Substantial
Payroll Access	Moderate	Substantial
Voids Management	Moderate	Moderate
Performance Management	Substantial	Moderate
Treasury Management	Moderate	Substantial
Building Control	Substantial	Moderate
IT Strategy	Moderate	Moderate
Accounts Payable	Moderate	Substantial
Financial Systems and General Ledger	Moderate	Substantial
Market Services	Draft Report Issued	
Stock Management	Fieldwork Phase	
2024/25		
Staffing Capacity and Capability	Moderate	Substantial
Business Continuity Plan and Disaster Recovery	Moderate	Moderate
Income Generation	Substantial	Moderate
Data Protection, FOI, EIR and SAR	Moderate	Moderate
Social Housing Decarbonisation Fund	Moderate	Moderate
Council Tax and NNDR	Substantial	Moderate
Homelessness	Moderate	Moderate
Art Council Grant Review	N/A	N/A

APPENDIX II

INTERNAL AUDIT CHARTER

This charter is a requirement of internal audit standards.

The charter formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within South Kesteven District Council ('the Council') and defines the scope of internal audit activities.

Final approval of this charter resides with the Governance and Audit Committee (GAC) on behalf of the Cabinet.

STANDARDS OF INTERNAL AUDIT PRACTICE

To fulfil its purpose, internal audit will perform its work in accordance with the *Global Internal Audit Standards in the UK Public Sector*, which encompass:

- ▶ The global Institute of Internal Auditors (IIA) *Global Internal Audit Standards* (GIAS) effective from January 2025
- ▶ The Internal Audit Standards Advisory Board (IASAB) *Application Note Global Internal Audit Standards in the UK Public Sector* effective from 1 April 2025.

For local government internal audit, internal audit is also required to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) *Code of Practice for the Governance of Internal Audit in UK Local Government*, effective from 1 April 2025.

The GIAS refer to the 'board' as 'the highest-level body charged with governance, such as a board of directors, an Audit Committee, a board of governors or trustees, or a group of elected officials or political appointees.' For the Council, 'the board' is the GAC acting on behalf of the Council.

The GIAS also refer to the 'chief audit executive' as the 'leadership role responsible for effectively managing all aspects of the internal audit function and ensuring the quality performance of internal audit services in accordance with Global Internal Audit Standards.' For the Council's internal audit function, 'the chief audit executive' is the BDO-assigned Partner acting as the Head of Internal Audit (HoIA).

INTERNAL AUDIT'S PURPOSE AND MANDATE

Purpose

The purpose of the internal audit function is to strengthen the Council's ability to create, protect, and sustain value by providing the GAC and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances the Council's:

- ▶ Successful achievement of its objectives
- ▶ Governance, risk management, and control processes
- ▶ Decision-making and oversight
- ▶ Reputation and credibility with its stakeholders
- ▶ Ability to serve the public interest.

The Council's internal audit function is most effective when:

- ▶ Internal auditing is performed by competent professionals in conformance with the GIAS in the UK Public Sector
- ▶ The internal audit function is independently positioned with direct accountability to the GAC

- ▶ Internal auditors are free from undue influence and committed to making objective assessments.

The role of the Council's internal audit therefore includes:

- ▶ Supporting the delivery of the Council's strategic objectives by providing risk-based and objective assurance on the adequacy and effectiveness of governance, risk management and internal controls
- ▶ Championing good practice in governance through assurance, advice and contributing to the Council's annual governance review
- ▶ Advising on governance, risk management and internal control arrangements for major projects, programmes and system changes
- ▶ Access to the Council's collaborative and arm's-length arrangements.

Mandate - Authority

The GAC grants the internal audit function the mandate to provide the GAC and senior management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the GAC. Such authority allows for unrestricted access to the GAC.

The GAC authorises the internal audit function to:

- ▶ Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities; internal auditors are accountable for confidentiality and safeguarding records and information
- ▶ Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives
- ▶ Obtain assistance from the necessary organisation's personnel in relevant engagements, as well as other specialised services from within or outside the organisation to complete internal audit services.

Mandate - Independence, position, and reporting relationships

- ▶ The HoIA will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function.
- ▶ The HoIA will report functionally to the GAC and administratively to the s151 Officer.
- ▶ This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the GAC, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.
- ▶ The HoIA will confirm to the GAC, at least annually, the organisational independence of the internal audit function.
- ▶ The HoIA will disclose to the GAC any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfil its mandate.

GOVERNANCE AND AUDIT COMMITTEE OVERSIGHT

To establish, maintain, and ensure that the Council's internal audit function has sufficient authority to fulfil its duties, the GAC will:

- ▶ Discuss with the HoIA and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function
- ▶ Ensure the HoIA has unrestricted access to and communicates and interacts directly with the GAC, including in private meetings without senior management present
- ▶ Discuss with the HoIA and senior management other topics that should be included in the internal audit charter

- ▶ Participate in discussions with the HoIA and senior management about the “essential conditions”, described in the GIAS, which establish the foundation that enables an effective internal audit function
- ▶ Review and approve the internal audit function’s charter annually, which includes the internal audit mandate and the scope and types of internal audit services
- ▶ Approve the risk-based internal audit plan
- ▶ Approve the internal audit function’s human resources administration and budgets
- ▶ Collaborate with senior management to determine the qualifications and competencies the Council expects in a HoIA
- ▶ Authorise the appointment and removal of the HoIA and outsourced internal audit provider
- ▶ Approve the fees paid to the outsourced internal audit provider
- ▶ Review the HoIA’s and internal audit function’s performance
- ▶ Receive communications from the HoIA about the internal audit function including its performance relative to its plan
- ▶ Ensure a quality assurance and improvement program has been established and review the results annually
- ▶ Make appropriate inquiries of senior management and the HoIA to determine whether scope or resource limitations are inappropriate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the HoIA, GAC, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- ▶ A significant change in the GIAS in the UK Public Sector
- ▶ A significant acquisition or reorganisation within the Council
- ▶ Significant changes in the HoIA, GAC, and/or senior management
- ▶ Significant changes to the Council’s strategies, objectives, risk profile, or the environment in which the Council operates
- ▶ New laws or regulations that may affect the nature and/or scope of internal audit services.

Support for Internal Audit

Internal audit’s activities require access to and support from senior management, the GAC and those charged with governance. Support allows internal audit to apply the mandate and charter in practice and meet expectations.

The Council will support the internal audit function by:

- ▶ Championing the role and work of internal audit to the staff within the Council and to partner organisations with whom internal audit works
- ▶ Facilitating access to senior management, the GAC and the Council’s external auditor
- ▶ Assisting, where possible, with access to external providers assurance such as regulators, inspectors and consultants
- ▶ Engaging constructively with internal audit’s findings, opinions and advice
- ▶ Building awareness and understanding of the importance of good governance, risk management and internal control for the success of the Council and of internal audit’s contributions.

The Council will also put in place conditions to enable the internal audit work:

- ▶ Ensuring that the reporting line of the HoIA is not lower than a member of the senior management team and that the HoIA has access to all members of the team
- ▶ Ensuring that client responsibility lies with a member of senior management

The GAC will support internal audit by:

- ▶ Enquiring of senior management and the HoIA about any restrictions on the internal audit's scope, access, authority or resources that limit its ability to carry out its responsibilities effectively
- ▶ Considering the audit plan or planning scope, and formally approving or recommending approval to those charged with governance
- ▶ Meeting at least annually with the HoIA in sessions without senior management present.

Senior management will establish and safeguard internal audit's independence by:

- ▶ Ensuring internal audit's access to staff and records, as set out in regulations and the charter, operates freely and without any interference
- ▶ Ensuring that the HoIA reports in their own right to the GAC on the work of internal audit
- ▶ Providing opportunities for the HoIA to meet with the GAC without senior management present
- ▶ Where there are actual or potential impairments to the independence of internal audit, working with the HoIA to remove or minimise them or ensure safeguards are operating effectively
- ▶ Recognising that if the HoIA has additional roles and responsibilities beyond internal auditing, or if new roles are proposed, it could impact on the independence and performance of internal audit; in such cases the impact must be discussed with the HoIA and the views of the GAC sought
- ▶ Where needed, appropriate safeguards will be put in place by senior management to protect the independence of internal audit and support conformance with professional standards. Matters around the appointment, removal, remuneration and performance evaluation of the HoIA will be undertaken by senior management, but these arrangements must not be used to undermine the independence of internal audit. The GAC will provide feedback on the performance evaluation of the HoIA, which should include feedback from the Chair of the GAC.

Interaction between the Governance and Audit Committee and Internal Audit

The GAC will support internal audit's independence by reviewing the effectiveness of safeguards at least annually, including any issues or concerns about independence from the HoIA. The HoIA will have the right of access to the Chair of the GAC at any time. The GAC can escalate its concerns about internal audit independence to those charged with governance.

To ensure there is good interaction between the GAC and internal audit, the GAC will agree its work plan with the HOIA to ensure there is appropriate coverage of internal audit matters within GAC agendas. The GAC workplan will provide for the internal audit mandate and charter, strategy, plans, engagement reporting and the annual conclusion, and quality reports.

The GAC is familiar with the Council's assurance framework, governance, risk management and internal control arrangements to facilitate its interactions with internal audit.

Senior management will engage with the GAC on any significant changes to governance, risk and control arrangements and any concerns they may have on assurance. The GAC will have oversight of the annual governance statement before final approval.

Where there is disagreement about the management of risks or agreed audit actions between internal audit and senior management, the GAC will review and make their recommendation to either management or those charged with governance.

Internal Audit Resources

The GAC and senior management will engage with the HOIA to review whether internal audit's financial, human and technological resources are sufficient to meet internal audit's mandate as set out in the

regulations and achieve conformance with GIAS in the UK public sector. Where there are concerns about internal audit's ability to fulfil its mandate or deliver an annual conclusion, the concerns will be formally recorded and reported to those charged with governance.

If resource issues result in a limitation of scope on the annual conclusion, this will be reported and disclosed in the annual governance statement. Decisions on internal audit resourcing by senior management and those charged with governance must take account of the longer-term risks to the governance and financial sustainability of the Council and internal audit's role in supporting those objectives. Where there are temporary resource constraints, senior management must work with the HOIA to establish longer-term plans for sustainable internal audit resources.

Quality

Annually, the GAC will review the results of the HOIA's assessment of conformance against GIAS in the UK public sector (including CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government), including any action plan. The GAC will review the HOIA's annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives. To meet the requirements of the regulations (the mandate) for internal audit, the GAC will satisfy itself on the effectiveness of internal audit. They will take into account conformance with the standards, interactions with the GAC, performance and feedback from senior management. Their conclusions will be reported to those charged with governance, for example, as part of the GAC's annual report.

External Quality Assessment

On behalf of those charged with governance and the GAC, senior management will ensure that internal audit has an external quality assessment at least once every five years of its conformance against GIAS in the UK public sector, (including CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government).

Senior management and the HOIA will discuss the timing of the review and report the options and their recommendation to the GAC. The proposals for the scope, method of assessment and assessor will be brought to the GAC for agreement. The assessor must use CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government alongside the standards and be familiar with the sector. The GAC will receive the complete results of the assessment and consider the HOIA's action plan to address any recommendations. Progress will be monitored. Where the GAC does not have delegated authority, the committee will report the overall results of the external quality assessment to those charged with governance.

HEAD OF INTERNAL AUDIT ROLES AND REPONSIBILITIES

Ethics and Professionalism

The HOIA will ensure that internal auditors:

- ▶ Conform with the GIAS in the UK Public Sector, including the principles of Ethics and Professionalism (integrity, objectivity, competency, due professional care, and confidentiality) and the Seven Principles of Public Life (the 'Nolan Principles') (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)
- ▶ Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations
- ▶ Encourage and promote an ethics-based culture in the organisation
- ▶ Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

The HOIA will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the HOIA determines

that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment.

Internal auditors will:

- ▶ Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the HoIA, GAC, management, or others
- ▶ Exhibit professional objectivity in gathering, evaluating, and communicating information
- ▶ Make balanced assessments of all available and relevant facts and circumstances
- ▶ Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The HoIA has the responsibility to:

- ▶ Understand the Council's governance, risk management and control processes, and the importance in the UK public sector of securing value for money, in developing an effective strategy and plan.
- ▶ At least annually, develop a risk-based internal audit plan that considers the input of the GAC and senior management; discuss the plan with the GAC and senior management and submit the plan to the GAC for review and approval
- ▶ Communicate the impact of resource limitations on the internal audit plan to the GAC and senior management
- ▶ Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, and controls
- ▶ Communicate with the GAC and senior management if there are significant interim changes to the internal audit plan
- ▶ Ensure internal audit engagements are performed, documented, and communicated in accordance with the GIAS in the UK Public Sector
- ▶ Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the GAC and senior management periodically and for each engagement as appropriate
- ▶ Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the GIAS in the UK Public Sector and fulfil the internal audit mandate (in public sector internal audit, the HoIA is required to have a CMIIA, or a CCAB qualification, or an equivalent professional qualification which includes training on the practice of internal audit, and suitable internal audit experience)
- ▶ Identify and consider trends and emerging issues that could impact the Council and communicate to the GAC and senior management as appropriate
- ▶ Consider emerging trends and successful practices in internal auditing
- ▶ Establish and ensure adherence to methodologies designed to guide the internal audit function
- ▶ Ensure adherence to relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the GIAS; any such conflicts will be resolved or documented and communicated to the GAC and senior management
- ▶ Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services; if the HoIA cannot achieve an appropriate level of coordination, the issue will be communicated to senior management (including the barriers to effective co-ordination with other assurance providers) and if necessary escalated to the GAC.

Communication with the Governance and Audit Committee and Senior Management

The HoIA will report quarterly to the GAC and senior management regarding:

- ▶ The internal audit function's mandate
- ▶ The internal audit plan and performance relative to its plan
- ▶ Internal audit budget
- ▶ Significant revisions to the internal audit plan and budget
- ▶ Potential impairments to independence, including relevant disclosures as applicable
- ▶ Results from the quality assurance and improvement program, which include the internal audit function's conformance with the GIAS in the UK Public Sector and action plans to address the internal audit function's deficiencies and opportunities for improvement
- ▶ Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the GAC
- ▶ Results of assurance and advisory services
- ▶ Resource requirements
- ▶ Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Council's risk appetite.

Quality Assurance Improvement Programme

The HoIA will develop, implement, and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit function.

The program will include external and internal assessments of the internal audit function's conformance with the GIAS in the UK Public Sector, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement.

The plan will assess the efficiency and effectiveness of internal audit and identify opportunities for improvement.

Annually, the HoIA will communicate with the GAC and senior management about the internal audit function's QAIP, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments.

External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside BDO. Qualifications must include at least one assessor holding an active Certified Internal Auditor credential. For public sector internal audit, such a person should have an understanding of the GIAS commensurate with the Certified Internal Auditor designation, including internal audit relevant continuing professional development and an understanding of how the GIAS are applied in the UK public sector.

SCOPE AND TYPES OF INTERNAL AUDIT SERVICES

The scope of internal audit services covers the entire breadth of the Council, including all the Council's activities, assets, and personnel.

The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the GAC and management on the adequacy and effectiveness of governance, risk management, and control processes for the Council.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- ▶ Risks relating to the achievement of the Council’s strategic objectives are appropriately identified and managed
- ▶ The actions of the Council’s officers, directors, management, employees, and contractors or other relevant parties comply with organisational policies, procedures, and applicable laws, regulations, and governance standards
- ▶ The results of operations and programs are consistent with established goals and objectives
- ▶ Operations and programs are being carried out effectively and efficiently
- ▶ Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Council
- ▶ The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable
- ▶ Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

INTERNAL AUDIT PERFORMANCE MEASURES AND INDICATORS

The tables below contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The GAC should approve the measures which will be reported to each meeting and / or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

TABLE ONE: PERFORMANCE MEASURES FOR INTERNAL AUDIT

MEASURE / INDICATOR
<p>Audit Coverage</p> <p>Annual Audit Plan delivered in line with timetable. Actual days are in accordance with Annual Audit Plan.</p>
<p>Relationships and customer satisfaction</p> <p>Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit. Annual survey to GAC to achieve score of at least 70%. External audit can rely on the work undertaken by internal audit (where planned).</p>
<p>Staffing and Training</p> <p>At least 60% input from qualified staff.</p>
<p>Audit Reporting</p> <p>Issuance of draft report within 3 weeks of fieldwork `closing` meeting. Finalise internal audit report 1 week after management responses to report are received. 90% recommendations to be accepted by management. Information is presented in the format requested by the customer.</p>
<p>Audit Quality</p> <p>High quality documents produced by the auditor that are clear and concise and contain all the information requested. Positive result from any external review.</p>

MANAGEMENT AND STAFF PERFORMANCE MEASURES AND INDICATORS

The management and staff of the Council commit to the following:

- Providing unrestricted access to all of the Council's records, property, and personnel relevant to the performance of engagements
- Responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- Implementing agreed recommendations within the agreed timeframe
- Being open to internal audit about risks and issues within the Council
- Not requesting any service from internal audit that would impair its independence or objectivity
- Providing honest and constructive feedback on the performance of internal audit.

The following three indicators are considered good practice performance measures, but we go beyond this and report on a suite of measures as included in each GAC Progress Report.

TABLE TWO: PERFORMANCE MEASURES FOR MANAGEMENT AND STAFF

MEASURE / INDICATOR
<p>Response to Reports Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt.</p>
<p>Implementation of recommendations Audit sponsor to implement all audit recommendations within the agreed timeframe.</p>
<p>Co-operation with internal audit Internal audit to confirm to each meeting of the GAC whether appropriate co-operation has been provided by management and staff.</p>

FOR MORE INFORMATION:

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South Kesteven
District Council
**Internal Audit
Strategy**

March 2026

Internal Audit Strategy

Business strategic context

The purpose of District Councils is to manage and deliver local services to residents. South Kesteven District Council (the Council) are responsible for providing statutory and discretionary services across the district of South Kesteven. The Council's Corporate Strategy for 2024-27 defines its five key priorities; connecting communities, sustainable South Kesteven, enabling economic opportunity, housing and effective Council.

Connecting Communities - To enhance the strength, wellbeing, security and capacity of all our communities for a thriving and cohesive society that all our residents are proud to belong to.

Sustainable South Kesteven - To meet the challenge of climate change and ensure a clean, green and healthy natural and built environment for present and future generations.

Enabling Economic Opportunity - To enable and support a dynamic, resilient and growing local economy, which benefits all our communities.

Housing - To ensure that all residents can access housing which is safe, good quality, sustainable and suitable for their needs and future generations.

Effective Council - To deliver trusted, high quality and value-for-money services that fulfil the needs and expectations of all our residents.

Internal audit vision and objectives

Internal Audit is positioned to play a critical role in the Council's drive to continued success as a high-performing local authority, providing assurance over the design and effectiveness of controls and that these are enhancing the resident experience in an efficient way. Local government reorganisation is the largest structural overhaul to local authorities for a generation, with proposals for the future of local government in Nottinghamshire awaiting consideration from central government. Internal Audit will support the Council to meet its strategic objectives over this period, preparing for local government reorganisation, but also ensuring that core services and policies continue to operate effectively during this transition.

Strategic pillars

Supporting the strategy

- Internal Audit is positioned to serve as a trusted and strategic advisor, providing business leadership with forward-looking, high-value insights that support strategic decision-making, enhance risk awareness, and align with the organisational risk appetite.
- Internal Audit will work closely with other assurance providers - notably second line functions such as IT security, Risk, Compliance and Legal.
- A growing proportion of our activities will focus on advisory engagements, striking a balance that allows us to address both critical projects and programmes, core business processes and emerging risks.

People management and development

- A high-performing and flexible Internal Audit team is essential for delivering quality and impactful audit services.
- The people strategy focuses on recruiting and nurturing a talented, versatile, and technically proficient workforce.
- By investing in IIA/CCAB trainees, advanced qualifications, availability of SMEs and specialised training across key areas—such as ESG, fraud, IT, operations, and regulatory frameworks we will deepen the team's expertise and strengthen our capacity to address complex audit demands.

Process and methodology

- Optimising our audit methodologies to ensure they remain agile, relevant, and compliant with the latest IIA standards and regulatory expectations.
- Maintaining strong relationships with the Institute and regulators.
- Quality will remain at the heart of our service with robust assurance checking and review procedures, overseen through annual and periodic hot/cold review procedures.
- Our Quality Assurance and Improvement Programme (QAIP) will continue to be robust, involving regular internal and external assessments that align with industry best practices.

Technology development

- In an environment of rapid technological change, Internal Audit will continuously evolve and adopt digital innovations to deliver more effective, insightful, and efficient assurance. This strategy prioritises the integration of advanced data analytics and AI across audit operations, positioning these tools as essential elements of our methodology.
- Internal Audit will maintain close relationships with the CIO, DPO of the business to ensure our approach is aligned with the organisation's approach to data protection and cyber security.

Internal Audit Strategy - proposed actions 2025/28

Area	Initiative / action
Strategy support	<ul style="list-style-type: none"> • Continue to work closely with wider second line group to align working practices to support assurance over the strategy • Ensure our annual plan has wide coverage of the four strategic priorities, providing assurances over the delivery of strategies and objectives across the whole Council, including front-line services impacting residents • Apply a blend of audit and advisory techniques using our various toolkits to assess the Council's 'soft controls' such as EDI, Environment, Governance/Culture, Sustainability, etc. This will provide roadmaps to implementing best practice controls to achieve objectives • Focus our audits on preparations and planning for local government reorganisation, both in specific audit engagements and the risks linked to local government reorganisation in operational audits.
People	<ul style="list-style-type: none"> • Commit to maintaining a constant audit team, with the Head of Internal Audit remaining consistent supported by a Manager and Assistant Manager to operationally manage audit delivery and quality control procedures • Use SMEs and specialist skills and knowledge for highly technical areas of testing • Ensure 60% of qualified resources are used in the delivery of the audit plan • Ensure team members hold or are working towards professional and relevant qualifications • Team members will comply with the firm's and professional bodies policies on CPD requirements • Governance and Audit Committee meetings and all contract management meetings will be attended by the Engagement Partner (Gurpreet Dulay) and/or the Engagement Manager (Joe Taylor).
Process	<ul style="list-style-type: none"> • Perform annual desktop review of manual and methodology to confirm in line with professional standards. Conduct an annual desktop review of the manual and methodology to ensure alignment with professional standards • Undertake annual self assessment against EQA • Participate in BDO cold/hot review process act upon any improvement points • Ensure the QAIP is a live document subject to ongoing review to monitor our delivery of our progress and retain flexibility to adjust to changes in the Council's environment • Commission independent EQA every five years.
Technology	<ul style="list-style-type: none"> • Use BDO tools on data analytics and AI to improve the quality of information and output to the Council, extending our testing to full populations of data, where possible. • Invest in new technologies and team training as required to widen the use of GenAI in IA delivery • Continue to manage your data securely and confidentially on our audit systems.

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South Kesteven
District Council

Internal Audit -
Quality Assurance
Improvement
Programme (QAIP)

March 2026

Quality assurance improvement programme

In accordance with Standard 8.3 of the Global Internal Audit Standards, we must develop, implement and maintain a quality assurance improvement programme (QAIP).

Our QAIP is premised on the following three key activities. We will report annually to the Governance and Audit Committee, on the results of the ongoing monitoring of quality and performance (including the results of the internal quality assessments). Results of the external quality assessments will be reported when completed. If applicable, plans to address any improvements identified will also be communicated.

Ongoing monitoring of quality and performance

Internal audit methodology - A standard internal audit methodology, working papers and templates are in use. Our methodology is updated when necessary and formally reviewed on an annual basis.

Supervision and review of outputs - All internal audit work is supervised and formal review of all deliverables including annual plans, terms of reference, draft and final reports and written advice is performed by Gurpreet Dulay before issue.

Use of subject matter experts - Our work employs sufficient technical knowledge and skills to safeguard quality.

Monitoring of the performance - A suite of quantitative and qualitative key performance metrics is in place to monitor the performance and effectiveness of the Internal Audit team, and the value Internal Audit brings to the business.

Stakeholder feedback - Is requested from audit stakeholders after each audit and used to identify ways to improve our service. We will also share a feedback survey to the Governance and Audit Committee Chair to obtain feedback on our presentations and audit quality.

Sharing of good practice - We promote a culture where lessons learned and good practice are shared across the team. We will continue to share benchmarking on specific audits and sector updates with the Governance and Audit Committee to ensure that you are up-to-date on developments in the local government sector.

Internal assessments

Annual self assessment - On an annual basis, an experienced review Partner or Director will perform a self-assessment of compliance with the Global Internal Audit Standards which will include a sample of files. An improvement action plan will be drafted based on the findings.

Hot and cold reviews - During the year, an experienced review Partner, Director or Senior Manager, independent of the engagements under review, will also review a selection of individual internal audit engagements to obtain ongoing assurance on the technical quality of our work. These will be performed based upon an agreed review programme, of closed (cold) files and thematic (hot) reviews of in-flight engagements.

Four eyes principle - All our outputs and the key underlying documentation are subject to review by a second person. For you, our work will be subject to one detailed review by a manager and a higher-level review by the Partner. Any specialist or high-risk work will be subject to a second Partner review by a SME.

Ongoing review - All audit files will be subject to a detailed review by a Manager or Assistant Manager to ensure that the quality of audit work meets our expected standards. Additionally, mid-file reviews will be performed on all audits during the fieldwork to ensure all key risk areas discussed and agreed at the scoping meeting are being covered during the fieldwork, allowing any gaps to be remediated during the audit.

Closing meetings - The closing meeting agenda will be reviewed by a Manager or Assistant Manager before being issued to officers.

External assessments

In accordance with Standard 8.4, an external assessment of the quality (EQA) of our internal audit work must be conducted at least once every five years by a qualified, independent assessor or assessment team.

Previous EQA

At BDO we recognise the importance of independent quality assurance and so submit our RAS team to an External Quality Assurance (EQA) review every five years, most recently in April 2021. We engaged the Chartered Institute of Internal Auditors (CIIA) to carry out the EQA and, in summary, their conclusion was that BDO generally conforms to the International Professional Practices Framework (IPPF). This is the highest of the three gradings awarded by the CIIA.

A copy of the EQA report is available to our clients so they can obtain comfort regarding our working practices.

Next EQA

Our next EQA is expected to be delivered in 2026. As part of communications with clients, the project team will discuss the results of the external assessment with the Audit Committee

Quality assurance improvement programme

Specific improvement actions to enhance the Internal Audit function in line with the Internal Audit Strategy are:

Initiative	Benefit	Due date	Completed
Ensure our annual plan has wide coverage of the four strategic priorities, providing assurances over the delivery of strategies and objectives across the whole Council, including front-line services impacting residents	Align our audit plan to the Council's strategic risks, ensuring that areas we cover link back to strategic objectives	Ongoing throughout delivery of our 26/27 IA plan	
Apply a blend of audit and advisory techniques using our various toolkits to assess the Council's 'soft controls' such as EDI, Environment, Governance/Culture, Sustainability, etc. This will provide roadmaps to applying best practice controls to achieve objectives	Allows management to gain insights into emerging risks with advisory support rather than traditional third line assurance	Ongoing throughout delivery of our 26/27 IA plan and over our three-year plan to FY29	
Use SMEs and specialist skills and knowledge for highly technical areas of testing Ensure 60% of qualified resources are used in the delivery of the audit plan Ensure team members hold or are working towards professional and relevant qualifications Team members will comply with the firm's and professional bodies policies on CPD requirements	Allow the Council continue to benefit from expertise across our firm on specific, technical audit engagements. Furthermore, use of qualified staff and ensuring our staff maintain relevant CPD ensures that emerging issues and risks are addressed in our audit work to maximise the value to the Council	Through the delivery of individual audit engagements during 26/27 and throughout the full plan for the year	
Perform annual desktop review of manual and methodology to confirm in line with professional standards	Ensuring that our manual and methodology meet our professional standards to give you assurance over the quality and approach of our work	At the end of 26/27	

Quality assurance improvement programme

Specific improvement actions to enhance the Internal Audit function in line with the Internal Audit Strategy are:

Initiative	Benefit	Due date	Completed
Commission independent EQA every five years	Allows for independent assurance that our work conforms with the GIAS.	Every five year, with the next review due in 2026	
Use BDO tools on data analytics and AI to improve the quality of information and output to the Council, extending our testing to full populations of data	Allows for full population and broader audit testing, reducing the sample risk and giving you greater assurance over the conclusions drawn from our work. This will also enable more nuanced and exception-focused auditing to establish the root cause of control issues	Ongoing throughout delivery of our 26/27 IA plan At the end of 26/27 we will evaluate whether data analytics and AI tools have been used where appropriate	
Act on stakeholder feedback and engagement to evolve and improve the service	Allows for ongoing improvement and development to ensure that our internal audit service meets your expectations	After each internal audit assignment	
Seek feedback from the Governance and Audit Committee (via the Chair) on our reporting and feedback approach	Ensures that our reports and presentation approach meets the expectations of the Governance and Audit Committee to ensure that you are receiving the assurance you require to discharge your duties effectively.	A survey will be issued to the Chair annually and an offer for a 1:1 feedback meeting to discuss the audit service	

FOR MORE INFORMATION:

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**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Governance and Audit Committee

Wednesday, 18 March 2026

Report of Councillor Ashley Baxter,
Leader of the Council,
Cabinet Member for Finance, HR and
Economic Development

2025/26 Accounting Policies

Report Author

David Scott, Assistant Director of Finance and Deputy Section 151 Officer

 david.scott@southkesteven.gov.uk

Purpose of Report

The Council's Accounting Policies are reviewed annually, prior to the preparation of the Statement of Accounts, to ensure they are up to date and in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

Recommendations

The Committee is recommended to:

- 1. Approve the Statement of Accounting Policies to be used in the production of the 2025/26 Financial Statements (Appendix A).**

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Effective 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 Prior to the compilation of the Statement of Accounts for 2025/26 it is important that members of Governance and Audit Committee have the opportunity to comment on the accounting policies to be used in the production of the financial statements. These policies, if agreed, will be applied to the treatment of all transactions that make up the figures in the Statement of Accounts.

Completed by: *Richard Wyles, Deputy Chief Executive and s151 Officer*

Legal and Governance

- 1.2 Local authorities are required by the Local Audit and Accountability Act 2014 to prepare a Statement of Accounts in accordance with relevant regulations. The policies referred to are a requirement of the Accounts and Audit (England) Regulations 2015. Any updates and amendments should be reported to Governance and Audit Committee in accordance with its role to approve the Statement of Accounting Policies as per Part 2 (Articles) of the Constitution, paragraph 9.1 xxvii.

Completed by: *James Welborn, Democratic Services Manager*

2. Background to the Report

- 2.1. The Council is required to disclose the accounting policies applied to all material balances and transactions within its Statement of Accounts. These are produced in line with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code).
- 2.2. It is good practice to consider and adopt the accounting policies in advance of the production and approval of draft accounts. Consequently, all accounting policies have been reviewed for the 2025/26 financial year to ensure they comply with the Code.
- 2.3. After reviewing the 2025/26 CIPFA Code, no changes are required to the accounting policies.

- 2.4. Appendix A details the accounting policies to be applied in the preparation of the 2025/26 Statement of Accounts.
- 2.5. During the year-end process, changes may be required to the policies arising from changes in circumstances or updated guidance. These will be agreed with the Section 151 Officer and reported to Governance and Audit Committee alongside the final Statement of Accounts.
- 2.6. The following table details the publication dates for the draft and final audited 2025/26 Statement of Accounts subject to government consultation.

	Publication date of 2025/26 Statement of Accounts
Draft Statement of Accounts	30 June 2026
Audited Statement of Accounts	31 January 2027

3. Key Considerations

- 3.1. The accounting policies have been produced in accordance with the Code with which the Council is required to comply when producing the Statement of Accounts.

4. Other Options Considered

- 4.1 No other options are available as the Council is required to comply with the Code.

5. Reasons for the Recommendations

- 5.1. As part of the Accounts and Audit (England) Regulations 2015, Local Authorities are required to include accounting policies in the Statement of Accounts.

6. Appendices

- 6.1. Appendix A – 2025/26 Statement of Accounting Policies.

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ACCOUNTING POLICIES 2025-26

I. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 and supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

II. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- The impact of IFRS15: Revenue from Contracts with Customers has been considered and deemed to have no material impact.

III. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

IV. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year.

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and Impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the loss can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

V. COUNCIL TAX AND NON-DOMESTIC RATES

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of major preceptors (including government for NDR) and, as, principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council TAX and NDR

The council tax and NDR included in the Comprehensive Income and Expenditure Statement is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

VI. EMPLOYEE BENEFITS

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees. These expenses are charged on an accruals basis to the relevant service line of the Comprehensive Income and Expenditure Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the appropriate service, or where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructuring.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Fund, administered by Lincolnshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Council recognises the cost of retirement benefits in the revenue account when employees earn them, rather than when the benefits are eventually paid as pensions.

Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefit scheme:

- The liabilities of the Lincolnshire County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the balance sheet at their fair value.

The change in the net pensions liability is analysed into the following components:

- Service Cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income

and Expenditure Statement as part of Non Distributed Costs

- Net interest on the net defined pension liability (asset) i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Remeasurement comprising:
 - The return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) charged to the Pension Reserve as Other Comprehensive Income and Expenditure
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumption – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Contributions paid to the Lincolnshire County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

VII. FINANCIAL INSTRUMENTS

Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For all of the borrowing that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principle repayable (plus accrued interest) and interest

charged to the Comprehensive Income and Expenditure Account is the amount payable for the year in the loan agreement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for Statements the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

VIII. GOVERNMENT GRANTS & OTHER CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potentially embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Money advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

IX. HERITAGE ASSETS

Heritage assets are held or maintained principally for their contribution to knowledge and culture. They are initially recognised at cost if this is available. If cost is not available, values are only included in the Balance Sheet where the cost of obtaining valuation is not disproportionate to the benefit derived. For most of the Council's heritage assets, insurance valuations are used. Where no market exists or the asset is deemed to be unique, and it is not practicable to obtain a valuation, the asset is not recognised in the Balance Sheet but disclosed in the notes to the accounts.

Heritage assets are depreciated over their useful life if this can be established. If an asset is considered to have an indefinite life, no depreciation is charged. Disposals, revaluation gains and losses and impairments of heritage assets are dealt with in accordance with the Council's policies relating to property, plant and equipment.

The cost of maintenance and repair of heritage assets is written off in the year incurred.

X. INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of the Council's website is not capitalised.

Intangible Assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gains or losses arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure Line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

The useful life of intangible assets is assessed by the Chief Finance Officer at the time of acquisition. Intangible assets are derecognised when no future economic benefits are expected from them.

XI. INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has a material interest in LeisureSK Limited. The nature of this relationship has been assessed and is deemed to be a subsidiary. The Council produces Group Accounts.

XII. INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the provision of services with the value of works and services received under the contract during the financial year.

XIII. INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

XIV. LEASES

The Council as Lessee

The Council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use.

A right of use asset and corresponding lease liability are recognised at commencement of the lease.

The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the lessee's incremental borrowing rate specific to the term and start date of the lease.

The right of use asset is initially measured at cost, comprising: the initial lease liability; any lease payments already made less any lease incentives received; initial direct costs; and any dilapidation or restoration costs. The right of use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The right of use asset is tested for impairment if there are any indicators of impairment. Leases of low value assets (value when new less than £10,000) and short-term leases of 12 months or less are expensed to the Comprehensive Income and Expenditure Statement.

The Council as Lessor

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

XV. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

XVI. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property Plant and Equipment.

Recognition:

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council, over more than one year and that the cost of the item can be measured reliably. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Council has a de-minimis of £10,000 for capital expenditure, with the exception of the purchase of motor vehicles. Where the total cost of an asset is higher than £10,000 but only part of the expenditure has occurred within a financial year that expenditure would be included in the balance sheet even if it was below the de minimis level.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred while assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Dwellings – current value determined using the basis of existing use value for social housing (EUV-SH). The social housing discount applied in 2025/26 is 42%.
- Community assets and assets under construction – historic cost.
- Plant, Vehicles & Equipment – depreciated historical cost
- All other classes of assets – current value, unless there is no market-based evidence of fair value because of the specialist nature of the asset. In this case fair value is estimated using the Depreciated Replacement Cost method.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Valuations of property assets are carried out by the District Valuer, an external, qualified valuer, who is independent of the Council. The method of valuations is as recommended by CIPFA and in accordance with the principles and guidance notes issued by the Royal Institute of Chartered Surveyors. Operational assets constructed or acquired during the year will be re-valued on 31 March of the following year.

Increases as a result of revaluations are debited to the appropriate asset account, with the opposite entry going to the Revaluation Reserve to recognise unrealised gains, except to the extent where it reverses a previous revaluation loss that was charged to a service revenue account within the Comprehensive Income & Expenditure Statement. In this case the revaluation gain will first be used to offset the previous loss and any further gain is then taken to the Revaluation Reserve. Revaluation gains charged to Surplus or Deficit on Provision of Services are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Decreases as a result of revaluation, which are not specific to one asset but affect several, are revaluation losses as opposed to impairments. The decrease is recognised in the Revaluation Reserve up to the balance in respect of each asset affected and then in Surplus or Deficit on Provision of Services. Any such charge taken to Surplus or Deficit on Provision of Services is then transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement,

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

A full year of depreciation is charged in the year of acquisition and none in the year of disposal.

Depreciation is calculated on the following bases:

- Land is not depreciated as it will not have a finite life.
- Council Dwellings and Other Buildings are depreciated using the straight line method. The finite useful life is assessed by the District Valuer at the time of revaluation but for Council Dwellings is usually 50 years, and for other buildings is between 1 and 60 years.
- Plant and Equipment are also depreciated by the straight line method. Useful life is assessed by the Chief Finance Officer at the time of acquisition, usually between 3 and 10 years. Some assets have a longer life span, up to 30 years.
- Vehicles are depreciated using the reducing balance method at a rate of 25% per annum.
- Non-current assets held-for sale are not depreciated.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

Only assets with a carrying amount more than or equal to £500,000 at the beginning of the financial year are considered for componentisation. To be recognised as a component the value of the part of the asset being considered must be more than or equal to 10% of the value of the asset, and have a life less than or equal to half that of the main asset. When a component is replaced, the carrying amount of the old component is derecognised and the new component is recognised. If the carrying amount of the old component is not known, this is estimated by indexing back from the cost of the new component and adjusting for depreciation and impairment over the old component's useful life. The Building Costs Index will be used.

The depreciation calculated is charged to the service revenue accounts, central support service accounts and trading accounts.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is classified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to a fair value less costs to sell, the loss is posted in the Other Operating Expenditure line in the Comprehensive Income and Expenditure statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts related to housing disposals is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement).

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

XVII. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

The council has made a provision for settling the self-insured element of Public Liability insurance claims.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

XVIII. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes e.g. for non-current assets, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

XIX. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

XX. VAT

VAT is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

XXI. FAIR VALUE MEASUREMENT

The Council measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset



**SOUTH
KESTEVEN
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COUNCIL**

Governance and Audit Committee

Wednesday, 18 March 2026

Report of Councillor Ashley Baxter,
Leader of the Council,
Cabinet Member for Finance, HR and
Economic Development

2025/26 Action Plan for Draft Statement of Accounts

Report Author

David Scott, Assistant Director of Finance and Deputy Section 151 Officer

✉ david.scott@southkesteven.gov.uk

Purpose of Report

To provide an update regarding the publication of the 2025/26 Statement of Accounts.

Recommendations

The Committee is recommended to:

- 1. Note the publication dates for the draft and final audited Financial Statements.**
- 2. Note the action plan for targeting achievement of the publication the Statement of Accounts.**

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Effective 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 The Council has an enviable record of having unqualified accounts alongside ensuring the annual statutory deadline is met each financial year with respect to the publication of the audited financial statements.
- 1.2 For the past two financial years the draft Statement of Accounts has been published after the deadline date. Whilst the external auditors have acknowledged this is not an actual significant weakness, senior officers are committed to bringing this back into line. The report outlines the actions being taken to order to try and achieve this.
- 1.3 However, it should be noted that meeting the deadline for the publication of the draft financial statements remains challenging as it will be the first year of closedown on a new finance system and pressures on resources to undertake budget monitoring, LGR preparedness and reviewing the medium-term financial outlook.

Completed by: *Richard Wyles, Deputy Chief Executive and s151 Officer*

Legal and Governance

- 1.4 Local authorities are required by the Local Audit and Accountability Act 2014 to prepare a Statement of Accounts in accordance with relevant regulations. The policies referred to are a requirement of the Accounts and Audit (England) Regulations 2015. The Governance and Audit Committee has the authority to approve the Annual Statement of Accounts, as detailed at Part 3 of the Constitution.

Completed by: *James Welbourn, Democratic Services Manager*

2. Background to the Report

- 2.1. Nationally, there has been an external audit backlog in signing off audited accounts, resulting in a large number of disclaimed opinions. The Government has set out a plan, together with key local audit providers, to tackle the backlog. The plan introduces statutory backstop dates to enable the audit system to recover. This approach will allow auditors to focus on more recent accounts, where assurance is most valuable.
- 2.2 The Annual Auditors Report for 2024/25 identified that not achieving the draft deadline is a potential area of weakness. However, as the Council continues to meet the statutory deadline for the publication of the audited accounts, there is no actual weakness.
- 2.3 In order to provide assurance to the Committee, it was agreed the s151 Officer would present proposed actions being considered for the closedown of the 2025/26 accounts.

3. Key Considerations

- 3.1. The following table details the publication dates for the draft and final audited 2025/26 Statement of Accounts.

	Publication date of 2025/26 Statement of Accounts
Draft Statement of Accounts	30 June 2026
Audited Statement of Accounts	31 January 2027

- 3.2 Compared to the 2024/25 closedown, the deadline for the draft Statement of Accounts remains unchanged but the date for the Audited Statement of Accounts is a month earlier than the previous year.
- 3.3 To meet the deadline for the draft Statement of Accounts for 2025/26 the following actions are taking place:
- External Support
 - Lessons Learnt
 - Project Planning

External Support

- 3.4 As part of the finance system implementation, the Council has engaged Unit 4 system specialists to provide bespoke Year End closedown support. This relates to: closedown on the system; training for key staff; and developing specific Year End reports. This area has been given the highest priority because it relates to the first closedown on the new system and staff are unfamiliar with the required closedown processes.

Lessons Learnt

- 3.5 Within the ISA260 review report on the 2024/25 accounts presented to members at the February 2026 committee, there was a recommendation for an internal review to identify how unnecessary delays could be removed. The management response outlined that the finance team works closely with audit colleagues to work through evidence requirements in a timely manner.
- 3.6 In order to ensure compliance, KPMG (the Councils external auditors) have been asked for clarity on which core statements can be published by 30 June 2026.

Project Planning

- 3.7 The finance team has a detailed project plan which has been shared with KPMG outlining key dates, tasks and responsible personnel. This will be refreshed as part of the upcoming closedown taking any learning for the debrief meetings.
- 3.8 There will also be an internal working group with all teams involved in the process, including Housing and Revenues colleagues, who play a key role in completing the closedown.
- 3.9 KMPG use a SharePoint portal where all tasks are allocated and assigned. This is used as a tracker for the regular meetings as the audit progresses. This helps provide early warnings if and when any deadlines appear difficult to achieve.

4. Other Options Considered

- 4.1 No other options were considered.

5. Reasons for the Recommendations

- 5.1. The Council is required to meet the statutory publication deadline of 31 January 2027 as set out in section 3.1.



**SOUTH
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Governance and Audit Committee

Thursday, 18 March 2026

Report of Councillor Ashley Baxter
Leader of the Council,
Cabinet Member for Finance, HR and
Economic Development

Treasury Management Report - Quarter 3 2025/26

Report Author

David Scott – Assistant Director of Finance and Deputy s151 officer

 David.scott@southkesteven.gov.uk

Purpose of Report

Regulations issued under the Local Government Act 2003 require the Council to produce regular reports on treasury and debt management operations. This report meets the requirements of the CIPFA Code of Practice on Treasury Management.

Recommendations

The Committee is requested to note the contents of the Quarter 3 review of Treasury Management activity for 2025/26.

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Effective 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

1.1 The financial implications are included within the report.

Completed by: Richard Wyles Deputy Chief Executive and Section 151 Officer.

Legal and Governance

1.2 This report provides details of the Council's performance in respect of treasury management against policy set out as part of the budget and policy framework. Members should note the performance and scrutinise any elements to assist the role of the Governance and Audit Committee in its review of the Treasury Management Strategy.

1.3 Members are required to monitor the Council's approved Treasury Management Strategy, as appropriate. This report meets this requirement.

Completed by: James Welbourn, Democratic Services Manager

Risk and Mitigation

1.4 Risk has been considered as part of this report. The treasury strategy has been compiled in conjunction with the Treasury Management advisors and is monitored by the Committee on a regular basis.

Completed by: Tracey Elliott, Governance & Risk Officer

2. Background to the Report

2.1 Treasury Management is the term used to cover the Council's borrowing and investment strategies. The Council has formally adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management. In line with the Code, the Council has adopted a Treasury Management Policy Statement that requires regular reports on treasury and debt management operations.

- 2.2 Under Part 1 of the Local Government Act 2003, the Council is required to follow the Prudential Code for capital finance including the setting of prudential Indicators. Relevant treasury management indicators were incorporated into the Treasury Management Strategy 2025/26 approved by Council on 27 February 2025.
- 2.3 Accordingly, this report provides a review of treasury management activity for the quarterly period to 31 December 2025 and reviews current developments. The following elements are covered by the report:
- A review of debt management operations
 - A review of investment operations
 - An update on the treasury management Prudential Code Indicators
- 2.4 The CIPFA Treasury Management panel encourages councils to monitor performance on a quarterly basis. Furthermore, a report by the Audit Commission entitled 'Risk and Return' identified the need for local authorities to report regularly to Members in addition to the Annual Review.

3. Key Considerations

Debt Management Operations - Borrowing

- 3.1 No additional borrowing has been required to date during 2025/26. All current Council borrowing is with the Public Works Loan Board (PWLB) and the average rate of interest paid on the debt portfolio was **2.50%**. Appendix A shows loans outstanding as at 31 December 2025. Regular reviews are undertaken to consider redemption costs of natural maturity against new borrowing to settle the outstanding debt early.
- 3.2 Short-term borrowing is defined as borrowing due to be repaid within 365 days. As at 31 December 2025, the Council had short-term borrowing of **£3.222m**. This will be repaid in instalments of **£1.611m** on 26 March 2026 and 28 September 2026. The average annual rate of interest on these loan repayments is **3.03%**.

Investment Operations

- 3.3 The average size of the investment portfolio for the 9-month period of 2025/26 was **£65.960m** compared to an average portfolio size of **£67.960m** during the same period in 2024/25.

Investment Activity in the period ended 31 December 2025

- 3.4 The Council operates a diverse portfolio and methods to invest its reserves which include: direct deposits; certificates of deposit; notice accounts; and money market funds. As at 31 December 2025 the Council held short term investments of **£49.980m** (specified investments) and **£3.000m** (non-specified investments).
- 3.5 The Treasury Management Strategy stipulates that the Council should not ordinarily hold more than 35% of investments as non-specified; this policy was adhered to during Q3 of 2025/26. A schedule of investments at 31 December 2025 is set out at Appendix A.
- 3.6 Short-Term Fixed Deposits – In the period ended 31 December 2025, **£30.00m** of short-term fixed deposits were placed; **£17.00m** of investments matured within this same period.
- 3.7 Long-Term Fixed Deposits – In the period ended 31 December 2025, no long-term fixed deposits were placed, and no long-term fixed deposits matured.
- 3.8 Across all short-term investments, the Council is achieving an average rate of return of **4.27%** which is higher in comparison to other public bodies within our benchmark group rate who are only achieving **4.09%**.
- 3.9 Overall, the Council is forecasting additional investment income of **£0.021m** against its budgeted level of **£2.579m** which will help support the delivery of services and delivery of corporate priority projects.

Treasury Management Prudential Code Indicators

- 3.10 Prudential Code indicators specific to treasury management are designed to ensure that treasury management is carried out in accordance with professional practice. Indicators for 2025/26, 2026/27 and 2027/28 were approved by Council on 27 February 2025 as part of the Treasury Management Strategy 2025/26.
- 3.11 The key 2025/26 indicators and actual figures for the 9 months to 31 December 2025 are set out at Appendix A. All investment activity has been maintained within the indicator limits.

Economic Update

- 3.12 The key indicator affecting the Council's treasury management is the base rate, which is currently 3.75%, having fallen from 4.00% in December 2025. MUFG, the Council's Treasury Management advisors predict a fall to 3.50% by the end of 2025/26, with a potential for a further cut in September 2026.

- 3.13 Inflation will also impact both the base rate and the Council's budgets. CPI fell from 3.4% in December 2025 to 3.0% in January 2026 which helped trigger the fall in base rate. The Government target for CPI remains at 2% and MUFG's current forecast is that CPI will fall to 1.8% by the end of December 2026.

Treasury Management Audit

- 3.14 As part of the Internal Audit plan for 2025/26, the Treasury Management service received a substantial opinion of the effectiveness of the controls in place. There were 2 'low' recommendations which have both been completed. This was a positive outcome demonstrating effective financial management of the Council's investments and cashflows.

4. Other Options Considered

- 4.1 No other options were considered.

5. Reasons for the Recommendations

- 5.1 The Committee should be kept updated on the Council's treasury management activity.

6. Background Papers

- 6.1 Treasury Management Strategy 2025/26
[Treasury Management Strategy 2025-26](#)

7. Appendices

- 7.1 Appendix A – Treasury Management Prudential Indicators.

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Debt Maturity Analysis – Public Works Loan Board as at 31 December 2025

All current external borrowing is classified under the HRA.

Duration	Amount £000
Less than one year	3,222
Between one and two years	3,222
Between two and five years	9,665
Between five and ten years	41,109
Between ten and fifteen years	16,109
Over fifteen years	4,833
Total	78,160

Investment Maturity Analysis – Schedule of Cash Funds

	As at 31 December 2025 £000	Interest Rate %
Short Term Investments		
Federated Prime3 MMF	3,428	variable
Invesco MMF	530	variable
LGIM	1,022	variable
Standard Chartered ESG	7,000	4.04
HELABA	13,000	4.15
Local Authorities	25,000	4.40
Total Short-Term	49,980	(average rate) 4.27
Long Term Investments		
CCLA Local Authority Property Fund	3,000	4.53*
Total Long-Term	3,000	(average rate) 4.53

*Dividend yield on Net Asset Value as at 31 December 2025

External Debt Indicators

Authorised Limit

This represents the limit beyond which borrowing is prohibited and needs to be set and revised by members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3(1) of the Local Government Act 2003.

Authorised Limit For external debt	2025/26 £000	As at 31 December 2025 £000
Debt (non HRA)	41,000	0
HRA Reform	115,000	78,159
Other Long-term liabilities	0	0
Total	156,000	78,159

Operational Boundary

This indicator is based on the probable external debt during the course of the year; it is not a limit, and actual borrowing could vary around this boundary for short times during the year. It should function as an indicator to ensure the authorised limit is not breached.

Operational Limit for external debt	2025/26 £000	As at 31 December 2025 £000
Debt (non HRA)	23,000	0
HRA Reform	100,000	78,159
Other Long-term liabilities	0	0
Total	123,000	78,159



**SOUTH
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Governance and Audit Committee

Wednesday, 18 March 2026

Report of Councillor Ashley Baxter,
Leader of the Council and Cabinet
Member for Finance, HR and Economic
Development

Housing Benefit Subsidy Audit 2023-24

Report Author

Claire Moses, Head of Service (Revenues, Benefits and Customer Service)

 claire.moses@southkesteven.gov.uk

Purpose of Report

To provide a background to the Housing Benefit Subsidy audit process as well as the outcome of the Housing Benefit Subsidy Audit for Financial Year 2023/24.

Recommendations

The Committee is requested to note the contents of the 2023-24 Housing Benefit Subsidy Audit report.

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Effective 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 are no financial implications arising from this report as the findings from the audit do not have an impact on the level of subsidy claimed.

Completed by: Richard Wyles, Deputy Chief Executive and s151 Officer

Legal and Governance

- 1.2 There are no additional governance comments to those already mentioned in the report

Completed by: James Welbourn, Democratic Services Manager

2. Background to the Report

- 2.1 Housing Benefit (HB) is a means tested benefit, administered by local authorities on behalf of the Department for Work and Pensions (DWP). HB is intended to help claimants meet housing costs for rented accommodation both in the private and the social rent sector.
- 2.2 The administration of HB is now very complex due to the frequent changes in regulations. In recent years a significant number of changes to the Housing Benefit scheme have made it increasingly difficult to train officers and to make accurate assessments. The legislation and guidance are applied to each individual claim. During 2023/24, the Council had an average HB caseload of **3,372** and processed in the region of **14,345** new claims and change in circumstances.
- 2.3 Whilst it is not possible to check every change that is processed, there has been a focus on checking cases that have resulted in errors in previous years that have earned income (for example a claimant has a weekly / monthly earned salary) as part of their calculation. This follows the outcome of previous HB audits that identified earned income cases as having a relatively high error rate due to manual interventions.

- 2.4 There are complex subsidy rules that determine how much of the HB expenditure by the Council is recouped from the DWP. Where HB has been correctly paid, the DWP will normally pay 100% subsidy to the Council. However, where HB has been overpaid, DWP provides different rates of subsidy depending on the classification of the error.
- 2.5 One classification is 'Claimant error overpayments' which arise when a Housing Benefit (HB) recipient delays in providing required information. In these cases, only 40% of the overpaid amount is recoverable through government subsidy. However, the Council is able to recover up to 100% of the overpaid amount directly from the claimant.
- 2.6 Another classification is 'LA error and administrative delay'. The amount of subsidy paid is determined by upper and lower thresholds, expressed as a percentage of the total HB expenditure attracting subsidy. The thresholds are:

Where the LA error / Admin delay overpayments are	Subsidy paid against LA error / Admin delay
If the total value of the overpayment is below 0.48% of the total correct payments	LA receives 100%
If the error rate falls between 0.48% and 0.54	LA receives 40%
If errors exceed 0.54% of total correct payments, the LA receives nil subsidy for the total value of all LA error overpayments	LA receives 0%

- 2.7 For 2023/24, South Kesteven's LA Error value was **£7,912**, which was **0.05%** of total expenditure attracting subsidy (£17,471,817). As a result, South Kesteven received **100% subsidy** for these errors.
- 2.8 Technical Overpayments and Departmental Official error (when recovered) will attract 0% subsidy. The most common examples are:
- changes in rent set by the local authority resulting in an overpayment of benefit, for example benefit paid for a period where this is no rent charge.
 - DWP errors for example, if the DWP apply an incorrect premium to a benefit award resulting in an overpayment of HB. Any overpayment recovered from the customer attracts 0% subsidy.

Housing Benefit Assurance Process (HBAP)

- 2.9 The Housing Benefit Assurance Process (HBAP) is a formal assurance framework issued by the DWP. It sets out the testing and reporting requirements that a Reporting Accountant must follow when reviewing a local authority's claim for Housing Benefit subsidy.

- 2.10 Each local authority must appoint a Reporting Accountant by 1 March prior to the start of the financial year to which the assurance work relates. This ensures sufficient time for planning, testing, and agreement of engagement terms before the beginning of the financial year.

Appointed Reporting Accountant (external auditor) 2023/24

- 2.11 The audit of the Housing Benefit Subsidy Claim 2023/24 for South Kesteven District Council was undertaken by KPMG LLP. The total value of HB included on the claim was **£18,022,328**.
- 2.12 Initial testing is undertaken and if this identifies any error, and the auditor is unable to conclude that the error is isolated, the DWP methodology requires the testing of an additional sample of 40 cases focused on the specific error.
- 2.13 The DWP methodology also requires auditors to extrapolate the results of the initial and additional testing by multiplying the total amount of subsidy for that area by the proportion of the sample value that has been found in error.
- 2.14 Each local authority's appointed external auditor is required to certify that the annual claim is fairly stated and to report any errors to the DWP (known as the Housing Benefit Assurance Process report). Where there are errors, the claim is qualified and the DWP will seek to reduce subsidy payments to the local authority.

2023/24 audit process

- 2.15 Testing of the initial sample identified 66 claims for checking. In line with the requirements of the subsidy audit, additional testing was also carried out based on previous audit findings in 2022/23. This resulted in additional testing on 'earned income'.
- 2.16 As required by DWP methodology, an additional sample of claims was selected for the one identified error – earned income. In 2022/23, the auditor identified that the Local Authority had incorrectly assessed claimants' earned income. Given the nature of the population and the errors reported in the 2022/23 HBAP Accountants report, an additional 40 'earned income' cases were selected to confirm whether the assessments were correct.
- 2.17 The additional testing identified 5 cases:
- 2 cases (total combined error value £187.63) where HB has been overpaid as a result of earned income being miscalculated.

- 3 cases (total combined error value £3.01) where housing benefit has been underpaid as a result of the earned income being miscalculated.
- 2.18 As there is no eligibility to subsidy for benefit which has not been paid, the claims identified as underpaid or as not affecting subsidy have not been classified as errors for subsidy purposes.
- 2.19 Using the methodology in paragraph 2.16, this area of the subsidy claim has a total value of £413,234. The cases selected for checking have a total value of £166,568.51. Errors are found totalling £187.63 (0.11% of the sample selected). The extrapolation adjustment to the claim would be 0.11% of the total of the area selected for checking (£413,234), therefore, the **adjustment to the subsidy claim is £466**.
- 2.20 The unaudited subsidy claim was submitted to the DWP by the deadline on 30 April 2024. The audit took place from August 2024 to November 2024. The HBAP report was completed, signed and submitted to the DWP on 28 November 2024. The DWP certified the claim on 27 November 2025 stating *‘there are no outstanding issues relating to the claim, it is acceptable to the Department and the total amount of HB subsidy properly payable to your authority for 2023/24 is £18,022,328. Your claim has been settled on this basis and therefore is now closed’*.

Financial outcome of the audit

- 2.21 The overall value of the subsidy claim for 2023/24 was **£18,022,328**. Putting the **£466** errors further into context – this is just **0.003%** of the total subsidy value.

Future audit – 2024/25

- 2.22 The unaudited subsidy claim was submitted to the DWP on 30 April 2025. The audit took place during July 2025 to November 2025. The HBAP report was completed, signed and submitted to the DWP 26 November 2025. There were no exceptions or errors found.
- 2.23 At time of writing, the DWP has not certified the claim.

3. Key Considerations

- 3.1 The HBAP Accountants Report 2023-24 attached at Appendix 1 sets out the factual findings arising from the Housing Benefit Subsidy audit for the financial year 2023/24.

4. Other Options Considered

4.1 The report is for information.

5. Reasons for the Recommendations

5.1 To note the Housing Benefit Subsidy Claim audit process.

6. Appendices

6.1 Appendix 1: Housing Benefit Assurance Process Report 2023-24



KPMG LLP
Consulting
15 Canada Square
Canary Wharf
London
E14 5GL
United Kingdom

Housing Benefit Subsidy Team

House Delivery Division
DWP Business Finance & Housing Delivery
Directorate
Room B120D
Warbreck House
Blackpool
Lancashire
FY2 0UZ

Claire Moses
Head of Service (Revenues, Benefits,
Customer and Community)
South Kesteven District Council
Council Offices
The Picture House
St Catherines Road
Grantham
NG31 6TT

28 November 2024

Dear Claire,

Agreed-upon Procedures Report to South Kesteven District Council and the Department for Work and Pensions of factual findings in relation to the Housing Benefit Subsidy claim form MPF720A for the year ended 31 March 2024.

Purpose of this Agreed-upon Procedures Report and Restriction on Use and Distribution

This report is produced in accordance with the terms of our engagement letter with South Kesteven District Council dated 05 August 2024 and the standardised engagement terms in Appendix 2 of Housing Benefit (Subsidy) Assurance Process (“**HBAP**”) Module 1 for year ending March 2024 issued by the Department for Work and Pensions (“**DWP**”) for the purpose of reporting to the Section 151 Officer of South Kesteven District Council (the “**Local Authority**”) and the DWP.

Our report is prepared solely for the confidential use of the Local Authority and the DWP and solely for the purpose of facilitating the claim for Housing Benefit Subsidy on form MPF720A dated 29 April 2024.

This report should not be copied, referred to or disclosed, in whole (save as otherwise permitted by the standardised engagement terms) or in part, without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the Local Authority and the DWP, we acknowledge that the Local Authority and/or the DWP may be required to disclose this report to parties demonstrating a statutory right to see it.

This report is designed to meet the agreed requirements of the Local Authority and the DWP as described in the DWP HBAP reporting framework instruction for financial year ending March 2024.

This report should not therefore be regarded as suitable to be used or relied on by any other party for any purpose or in any context. Any party other than the Local Authority and the DWP which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so entirely at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our work or this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by the reliance of anyone other than the addressees on our work or this report.

Local Authority's Responsibilities

As Section 151 Officer of the Local Authority, you have responsibilities under the Income-related Benefits (Subsidy to Authorities) Order 1998. You are also responsible for ensuring that the Local Authority maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Local Authority. It is also the Section 151 Officer's responsibility to extract relevant financial information from the Local Authority's accounting records, obtain relevant information held by any officer of the Local Authority and complete the attached form MPF720A in accordance with the relevant framework set out by the DWP.

The Section 151 Officer of the Local Authority and the DWP have acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Section 151 Officer is responsible for the completion of the MPF720A and is the signatory on the Local Authority's certificate on claim form MPF720A.

Our Responsibilities

For the purpose of the HBAP engagement we have been provided with a signed copy of form MPF720A 2023/24 dated 29 April 2024 by the Section 151 Officer.

We conducted our engagement in accordance with HBAP Modules 1 and 6 for financial year ending March 2024 issued by the DWP, which highlight the terms under which DWP has agreed to engage with reporting accountants.

Our engagement was carried out in accordance with the DWP reporting framework instruction and in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-upon Procedures Engagements* issued by the International Auditing and Assurance Standards Board. The purpose of the engagement is to perform the specific test requirements determined by the DWP on the defined sample basis as set out in HBAP Modules of the HBAP reporting framework instruction on the Local Authority's form MPF720A dated 29 April 2024 and to report the factual findings, which are the factual results of those procedures to the Local Authority and the DWP. We make no representation regarding the appropriateness of the agreed-upon procedures.

The results of the agreed-upon procedures are reported in Appendices A, B, C and D.

The procedures specified in DWP's HBAP reporting framework instruction do not constitute an examination made in accordance with generally accepted auditing or review standards or an assurance engagement performed in accordance with any standards applicable to

assurance, the objective of which would be the expression of assurance on the contents of the Local Authority's claim for Housing Benefit Subsidy on form MPF720A. Accordingly, we do not express such assurance. Had we performed additional procedures, or had we performed an audit or review of the Local Authority's claim for Housing Benefit Subsidy on form MPF720A in accordance with generally accepted auditing or review standards or an assurance engagement performed in accordance with any standards applicable to assurance, other matters might have come to our attention that would have been reported to you. This report relates only to the Local Authority's form MPF720A and does not extend to any financial statements of the Local Authority, taken as a whole.

This engagement will not be treated as having any effect on our separate duties and responsibilities as the external auditor of the Local Authority's financial statements. Our audit work on the financial statements of the Local Authority is carried out in accordance with our statutory obligations and is subject to separate terms and conditions. Our audit report on the Local Authority's financial statements is made solely to the Local Authority's members, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work was undertaken so that we might state to the Local Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Local Authority and the Local Authority's members, as a body, for our audit work, for our audit reports, or for the opinions we have formed in respect of that audit.

Professional Ethics and Quality Control

We have complied with the ethical requirements in the ICAEW Code of Ethics issued by the Institute of Chartered Accountants in England and Wales. For the purpose of this engagement, there are no independence requirements with which we are obliged to comply.

The firm applies International Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of HBAP report

Summary of Initial Testing

Cell 011: NHRA Rent Rebates:

- No issues identified.

Cell 094: Rent Allowances:

- No issues identified.

Completion of Modules

The Specific Test Requirements set out in Module 1 Appendix 3 have been completed, including testing required by Modules 2 and 5 as detailed below.

Completion of Module 2

We have completed testing of the Module 2 and no issues were identified.

Completion of Module 5

We have completed the questionnaire for the appropriate software supplier and no issues were identified.

Summary of testing arising from Cumulative Assurance Knowledge and Experience (“CAKE”)

In line with the requirements of the HBAP Modules we have undertaken CAKE testing based upon the preceding HBAP Accountants report. Where appropriate the Local Authority has completed testing of the sub-populations for:

- Cell 094 Rent Allowance – Incorrect earned income.
- Cell 104 – Expenditure Misclassification (Observation only)

We have re-performed a sample of the Authority’s testing and confirm the tests we have carried out concur with the Authority’s results. The results of this testing can be found in the appropriate appendix.

For the form MPF720A dated 29 April 2024 for the year ended 31 March 2024 we have completed the specific test requirements detailed in the DWP reporting framework instruction HBAP and have identified the results set out in Appendices A, B, C and D.

Firm of accountants: KPMG LLP
Office: One Snowhill, Snowhill, Queensway, Birmingham. B4 6GH.
Contact details: Andrew Bostock, Partner, 07796313249, Andrew.Bostock@kpmg.co.uk

KPMG LLP

Signature:

Date: 28 November 2024

Yours faithfully,

KPMG LLP

KPMG LLP
Chartered Accountants
One Snowhill
Snowhill, Queensway
Birmingham
B4 6GH

Attachments:

Appendix A Exceptions/Errors found
Appendix B Observations
Appendix C Amendments
Appendix D Other Matters

Appendix A Exceptions/Errors found

Cell 094: Rent Allowance Expenditure – Earned Income

Cell Population Total: £9,813,095

Cell Population: 1,747

Subpopulation Total: £413,234

Subpopulation: 97

Headline Cell: £9,813,095

In the 2022/23 HBAP Accountants report, the auditor identified that the Local Authority had incorrectly assessed claimant earned income. Given the nature of the population and the errors reported in the 2022/23 HBAP Accountants report, an additional sample of 40 cases were selected from cases in cell 094 with earned income to confirm whether the earned income assessment made is correct.

The additional testing identified:

- 2 cases (total combined error value £187.63) where housing benefit has been overpaid as a result of earned income being miscalculated. The impact of the error is to overstate cell 102 by £187.63, with a corresponding understatement of cell 113 of £187.63. There is no impact on cell 094.
- 3 cases (total combined error value £3.01) where housing benefit has been underpaid as a result of the earned income being miscalculated.

Each error type is dealt with separately below:

Underpaid Benefit

As there is no eligibility to subsidy for benefit which has not been paid, the claims identified as underpaid or as not affecting subsidy have not been classified as errors for subsidy purposes.

Overpaid Benefit

The results of our findings are included in the table below:

Sample	Movement / brief note of error:	Sub Population Total: Cell 094 earnings	Sample error:	Sample value:	Percentage error rate (to 2dp):	Cell adjustment:
		[SP]	[SE]	[SV]	[SE/SV]	[SE/SV times SP]
Initial sample – 1 case	Cell 094: Incorrect assessment of earned income	£413,234	£0	£1,224		
Additional testing sample – 40 cases	Cell 094: Incorrect assessment of earned income	£413,234	(£187.63)	£165,344.84		
Combined sample – 41 cases	Cell 094: Incorrect assessment of earned income	£413,234	(£187.63)	£166,568.51	0.11%	(£466)
Adjustment:	Cell 102 is overstated	£413,234	(£187.63)	£166,568.51	0.11%	(£466)
Total Corresponding adjustment:						
Adjustment:	Cell 113 is understated					£466

This error was reported in the prior year HBAP Accountants Report.

Appendix B Observations

Cell 104 Expenditure misclassification

Cell Total: £3,678

Cell Population: 16 cases

The previous auditor identified in their prior year HBAP Accountants Report that the Local Authority had misclassified benefit expenditure in relation to cases included in Cell 104. In all cases, expenditure should have been classified and included in Cell 012.

Misclassification of housing benefit cases between cells with equal subsidy value, using the same method of entitlement calculation, and resulting in the same qualifying expenditure amount do not require further testing, therefore no extended testing was completed in 2022/23, and this issue was considered closed.

However, the authority has reviewed all cases included in cell 104 in the MPF720A claim form dated 29 April 2024 and identified that all cases should have been included in Cell 012. Misclassification of housing benefit cases between cells with equal subsidy value, using the same method of entitlement calculation, and resulting in the same qualifying expenditure amount has no impact on the value of housing benefit paid or housing benefit subsidy claimed. Therefore, this is noted as an observation only.

Appendix C Amendments

There are no amendments to report.

Appendix D Other Matters

No additional issues.

Governance and Audit Committee Work Plan 2026-27

Item	Current Issues/Status	Outcome Sought
June 2026		
Internal Audit Annual Report 2025/26	Annual report from the Internal Auditors	To review and note the contents of the report
Internal Audit Progress Report	Update from the Council's Internal Auditors in respect of progress made against the plan	To review and note the contents of the report
External Audit Plan	External Audit plan and strategy for year ended 31 March 2026	To review and note the contents of the report
Draft Annual Governance Statement 2025/26	Draft Annual Governance Statement 2025/26	To review and note the contents of the report
Strategic Risk Register	Strategic Risk Register is presented to the Committee every four months	To review and approve the Strategic Risk Register
Risk Management Annual Report 2025/26	Annual report of risk management activities undertaken during the year	To review and note the contents of the report
Whistleblowing Annual Report 2025/26	Annual report of whistleblowing	To review and note the contents of the report
Whistleblowing Policy 2026-2028	Whistleblowing Policy 2026-2028	To review and approve the Whistleblowing Policy 2026-2028
Corporate plan 2024-27 Key Performance Indicators report	To present the Council's performance against the Corporate Plan 2024-27 KPIs	To review and note the contents of the report

July 2026

Internal Audit Progress Report	Update from the Council's Internal Auditors in respect of progress made against the plan	To review and note the contents of the report
General Fund Draft Financial Outturn 2025/26	Council's outturn position for the financial year 2025/26 for the General Fund	To review the contents of the report and consider approving any reserve movements, Capital slippages and creation of reserves for the General Fund
HRA Draft Financial Outturn 2025/26	Council's outturn position for the financial year 2025/26 for the HRA	To review the contents of the report and consider approving any reserve movements, Capital slippages and creation of reserves for the HRA
Treasury Management Annual Report 2025/26	Annual report on Treasury Management activities for 2025/26	Approve the Annual Report
Treasury Management Report Quarter 1 Report 2026/27	Update on Treasury Management activities for the first quarter of 2026/27	To review and note the contents of the report
Counter Fraud Annual Report 2025/26	Annual report of counter fraud activities undertaken during the year	To review and approve the contents of the report
Counter Fraud, Bribery, and Corruption Strategy 2026-28	Counter Fraud, Bribery, and Corruption Strategy 2026-28	To review and approve the Counter Fraud, Bribery, and Corruption Strategy 2026-28
Anti Money Laundering Policy 2026-28	Anti Money Laundering Policy 2026-28	To review and approve the Anti Money Laundering Policy 2026-28

September 2026

Housing Benefit Subsidy Claim 2024/25	To provide the outcome of the Housing Benefit (Subsidy) Assurance Process for 2024/25	To review and note the contents of the report
Internal Audit Progress Report	Update from the Council's Internal Auditors in respect of progress made against the plan	To review and note the contents of the report
Internal Audit Follow Up Report	Update from the Council's Internal Auditors in respect of progress made against the implementation of actions	To review and note the contents of the report
Health and Safety Annual Report 2025/26	Annual report of H&S activities undertaken during the year	To review and note the contents of the report
Ombudsman Annual Report 2025/26	Annual report of complaints received and decisions made from the Local Government Ombudsman Letter	To review and note the contents of the report
Amendments to the Constitution		

November 2026

External Audit Annual Governance Report	Key findings arising from the statutory audit of the Council	To review and note the contents of the report
Internal Audit Progress Report	Update from the Council's Internal Auditors in respect of progress made against the plan	To review and note the contents of the report
Statement of Accounts 2025/26	To be approved each year by the statutory deadline	To approve the 2025/26 Statement of Accounts and their publication on the Council's website
Annual Governance Statement 2025/26	To consider the Draft Annual Governance Statement for 2025/26	To review and approve the Draft Annual Governance Statement 2025/26
Corporate Plan 2024-27: Key Performance Indicators Report	To present the Council's performance against the Corporate Plan 2024-27 KPIs	To review and note the contents of the report
Strategic Risk Register	Strategic Risk Register is presented to the Committee every four months	To review and approve the Strategic Risk Register
Safeguarding Annual Report 2025/26	Annual report of safeguarding	To review and note the contents of the report
Treasury Management Activity Updates Q2	Update on treasury management activities during the financial year for the Second Quarter	To review and note the contents of the report

January 2027

Internal Audit Progress Report	Update from the Council's Internal Auditors in respect of progress made against the plan	To review and note the contents of the report
Indicative Internal Audit Plan 2027/28	Internal Audit to present the indicative Internal Audit Plan for 2027/28	To review and approve the indicative Internal Audit Plan for 2027/28
Treasury Management Strategy 2027/28	Council's indicative Treasury Management Strategy for 2027/28	To review and approve the indicative Treasury Management Strategy for 2027/28

March 2027

Annual Report on Grants and Returns	External Audit's report on grants and returns for the year	To review and note the contents of the report
Internal Audit Progress Report	Update from the Council's Internal Auditors in respect of progress made against the plan	To review and note the contents of the report
Internal Audit Follow Up Report	Update from the Council's Internal Auditors in respect of progress made against the implementation of actions	To review and note the contents of the report
Indicative Internal Audit Plan 2027/28	Internal Audit to present the indicative Internal Audit Plan for 2027/28	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
Treasury Management Report Quarter 3 Report 2026/27	Update on Treasury Management activities for the third quarter of 2026/27	To review and note the contents of the report
Strategic Risk Register	Strategic Risk Register is presented to the Committee every four months	To review and approve the Strategic Risk Register

Unscheduled

Access to Information Working Group Update	Update on the meeting of the Access to Information Working Group	To review and note the contents of the report
Financial Regulations Implementation Update	An update following six months of the implementation of the Financial Regulations was requested at the 21 January 2026 meeting.	To review and note the contents of the report
Amendments to the Constitution	To consider a number of amendments to the Constitution.	Recommendation to Full Council

Items to be allocated as and when required

Code of Conduct
Code of Corporate Governance
Constitutional Amendments
Risk Management Framework – due in 2027/28
Review of Subject Access Requests
Committee Members meeting with auditors

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