

# **INTERNAL AUDIT PROGRESS REPORT**

**SOUTH KESTEVEN DISTRICT COUNCIL**

**NOVEMBER 2024**

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# SUMMARY OF NOVEMBER 2024/25 WORK

## INTERNAL AUDIT

This report is intended to inform the Governance and Audit Committee of progress made against the NOVEMBER 2024/25 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.



## INTERNAL AUDIT METHODOLOGY

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

## NOVEMBER 2024 INTERNAL AUDIT PLAN

We have made good progress in the delivery of the NOVEMBER 2024/25 audit plan.

We have completed and are pleased to present the following reports to this Governance and Audit Committee meeting:

- ▶ Homelessness
- ▶ Income Generation
- ▶ Business Continuity and Disaster Recovery.

Planning is underway in respect of the following audits:

- ▶ Council Tax and NNDR
- ▶ Data Protection and FOI, EIR and SAR
- ▶ Main Financial Systems.

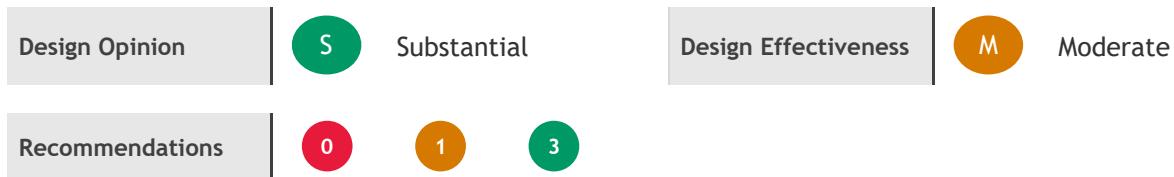
We anticipate presenting these reports at the next Governance and Audit Committee meeting.

## REVIEW OF NOVEMBER 2024/25 WORK

AUDIT	EXEC LEAD	GOVERNANCE AND AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Staffing Capacity and Capability	Fran Beckitt	24 September 2024	✓	✓	✓	M	S
Social Housing Decarbonisation Fund	Alison Hall-Wright	24 September 2024	✓	✓	✓	M	M
Art Council Grant Review (3 <sup>rd</sup> party assurance)	Richard Wyles	24 September 2024	✓	✓	✓	N/A	N/A
Homelessness	Alison Hall-Wright	27 November 2024	✓	✓	✓	M	M
Income Generation	Paul Sutton	27 November 2024	✓	✓	✓	S	M
Business Continuity and Disaster Recovery	Alison Hall-Wright	27 November 2024	✓	✓	✓	M	M
Council Tax and NNDR	Richard Wyles	22 January 2025	✓	✓			
Main Financial Systems	Paul Sutton	19 March 2025	✓				
Data Protection and FOI, EIR and SAR	Graham Watts	19 March 2025	✓				

# INCOME GENERATION

## SRR REFERENCE:4 - INEFFECTIVE FINANCIAL MANAGEMENT



### SCOPE

#### BACKGROUND

Generating income presents greater challenge and opportunity for local authorities as central government funding reduces. Local authorities receive large proportions of its income through Council tax and national non-domestic rates receipts. However, there are other opportunities to generate income through other services provided to the public, grant income from central government and marketing.

Many authorities are now focussing on how income can be generated from services they already provide by extending them to other interested parties i.e. other local authorities or businesses. With increasing financial pressures, it's crucial for local authorities to explore and optimise income generation opportunities to ensure long-term financial sustainability.

South Kesteven District Council referred to as 'the Council' conduct a review of its fees and charges annually and provide an uplift, where the cost of the service increase at a higher rate, the fee increases should align. There are some fees for statutory services that are set nationally. The Council approved the annual uplift of fees and charges in January 2024 for the new charges to be implemented for the 2024/25 financial year. The areas the Council charge fees for include:

- ▶ Leisure Services and facilities
- ▶ Garden and Business waste collection
- ▶ Planning and building control applications
- ▶ Car parks.

Grants are rewarded to promote specific projects, or investment by local authorities. It is the responsibility of service area leads to identify opportunities to seek external grant funding and prepare the bid submissions. Ahead of submitting the application, the service area leads must seek approval from the CFO per the Council's constitution. If the Council are successfully awarded the grant, approval is required by either the Director, Cabinet or full Council depending on the value of the grant.

In 2023/24, the Council received a total of £3.8m of grant income. The Council have a grant register which records the income received through the year and is monitored by the Accountants.

#### PURPOSE

The purpose of the audit is to assess whether the Council has controls and procedures in place for generating income, including the setting of fees, benefiting from grant and funding opportunities and maximising marketing and advertising income.

#### AREAS REVIEWED

As part of the scope of this audit the following areas were reviewed:

- ▶ The Fees and Charges policy to confirm clear and appropriate guidance has been provided regarding the process for calculating fees for services provided by the Council.
- ▶ Interviewed heads of services for Car parks, Waste and Leisure service areas; to confirm the process for reviewing fees and charges are completed annually in advance of the upcoming financial year.
- ▶ The fees and charges uplifts applied across three service areas (for Car parks, Waste and Leisure) to confirm sufficient increases have been made which adequately cover the costs of service provisions.
- ▶ The Constitution to confirm there is an adequate process for seeking external funding to deliver strategic projects.
- ▶ A sample of four grants the Council were successfully awarded in 2023/24 to confirm a strategic approach is in place for submitting the grant and projects aligned to the Council's strategic priorities.
- ▶ Interviewed the Head of Communications to ascertain advertising opportunities which have been taken to support the generation of income at the Council.
- ▶ Quarterly budget reports issued to the Finance and Economic Overview Committee to confirm there is sufficient oversight of income generation activities within the Council.



## AREAS OF STRENGTH

We have identified the following areas of good practice:

- ▶ Regular financial monitoring and reporting is in place through the Provisional Outturn Position Reports and quarterly Finance Updates to the Finance and Economic Overview and Scrutiny Committee. These reports provide detailed analysis of variances and appropriate oversight of income generation, with clear review by senior management and members.
- ▶ For certain service areas, particularly Business Waste, there is robust evidence of annual fee reviews with a detailed fee matrix outlining costs for delivering each area of service, ensuring appropriate cost recovery through fees and charges.
- ▶ The Council has implemented effective marketing and communication channels through multiple platforms including press releases, SK Today quarterly publication, and the Onclusive platform which provides analytics on media coverage reach and value. There is regular press releases to promote Council services and projects effectively.
- ▶ The Council demonstrated strong governance around grant funding with clear processes for assessment through the Finance and Economic Overview and Scrutiny committee and approval. Our review of four grants received between April 2023 and April 2024 showed consistent evaluation of alignment with Council priorities, appropriate authorisation obtained, and proper documentation maintained.
- ▶ Grant income is reported at a strategic level providing sufficient oversight on income generating activities within the Council. The reviewed quarterly budget reports issued to the Finance and Economic Overview and Scrutiny Committee in February and July 2024 showed the report provides an update on the income and expenditure across the Council services.



## AREAS OF CONCERN

Finding	Recommendation and Management Response
Annual reviews of fees and charges are not consistently performed across all service areas, as testing identified that car parks fees are reviewed on an ad hoc basis rather than annually, and for some services like Leisure and Garden Waste, there was insufficient documentation of	A. 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

<p>cost analysis to support fee increases (Finding1 - Medium).</p>	<p>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>B. 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 charges. The Finance Team should provide support to service area.</p> <p>C. 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"> <li>• Detailed cost analysis.</li> <li>• Benchmarking data.</li> <li>• Inflation consideration.</li> <li>• Demand and utilisation metric.</li> <li>• Justification for proposed changes.</li> </ul> <p>D. 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>
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#### Management Response

Fees and charges are annually reviewed as an integral element of the annual budget setting process and are presented to Council on an annual basis in January of each year. Where the Council has the power to increase charges, any increases proposed are in line with the objectives being sought and therefore Council may decide not to increase charges despite service costs increasing. An example of this is bulky waste service which does not recover its costs, but Council recognises that increases could deter customers from using the service. The Car parking charges have been reviewed but tariffs are set in a manner that stimulate economic behaviour in the towns and

	<p>therefore basing it on a cost analysis only does not take into consideration broader strategic objectives Council is seeking. This is a similar approach to the charges set for Arts Centre activity where there is a level of subsidy on charges in order to generate cultural activities.</p> <p>It is recognised that the Fees and Charges Policy will require a review, and this will be undertaken during 2025/26.</p> <p><u>Responsible Officer and Implementation date</u></p> <p>Paul Sutton, Interim Head of Finance 30 September 2025</p>
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## CONCLUSION

We conclude that the Council has a Substantial design of controls and Moderate effectiveness of controls for Income Generation.

### Control Design

The Control design is Substantial because the Council has established comprehensive systems of internal controls and processes for managing income generation to achieve objectives. While some documentation updates would be beneficial, core controls are in place including:

- ▶ Multiple marketing channels with demonstrated reach and engagement
- ▶ Established grant funding processes with successful outcomes
- ▶ Strong analytical capabilities of Marketing reach through platforms like Onclusive

### Control Effectiveness

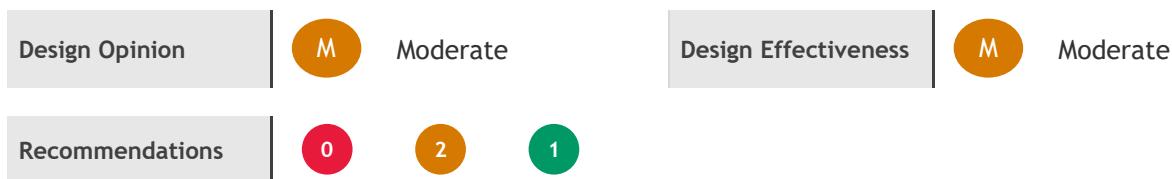
The control effectiveness was Moderate as there are some areas where implementation could be strengthened. This primarily relates to:

- ▶ Variation in cost analysis in fees setting processes across services with some services lacking documented rationale to support price changes.
- ▶ Potential to enhance revenue generation from existing marketing channels
- ▶ Opportunity to formalise grant funding practices

While the review reflects a positive opinion on control design, maintaining consistent application of controls across all services remains important. The recommended improvements will help standardise practices and optimise income generation opportunities.

# HOMELESSNESS

## SRR REFERENCE: 3- UNABLE TO MAINTAIN AND BUILD QUALITY AND CONSISTENCY IN SERVICE PROVISION BY THE COUNCIL



### SCOPE

#### BACKGROUND

The Housing Act 1996, Homelessness Act 2002, Localism Act 2002, and the Homelessness Reduction Act 2017 place statutory duties on Local Authorities relating to homelessness. As such the Council is required to ensure that advice and assistance is provided to households who are homeless or threatened with homelessness.

Where the Council is satisfied that an applicant is eligible for assistance, unintentionally homeless, and falls with a specified priority need group, the Council has a duty to ensure that suitable accommodation is available for the applicant and his or her household.

The Homelessness Act 2002 requires all local housing authorities to produce a new homelessness strategy no less than every five years, based upon a review of homelessness in their area.

The Council has a Housing Strategy 2020-2024, which outlines the Council's plan to prevent and manage their duties to those who are at risk of or become homeless.

The Council plans to ensure that all residents can access housing which is safe, of good quality, sustainable and suitable for their needs and future generations.

#### PURPOSE

The purpose of the audit was to provide assurance over how the Council manages its homelessness and temporary accommodation responsibilities and how effective these arrangements are.

#### AREAS REVIEWED

As part of the scope of the audit we reviewed:

- ▶ The Council's Housing Strategy 2020-2024 to assess whether it provided adequate direction for homelessness prevention and temporary accommodation management and whether the strategy has been approved by members, updated, and complies with best practice.
- ▶ The Lincolnshire Homelessness and Rough Sleeper Strategy 2022-2027 to assess local implementation and alignment with Council objectives.
- ▶ Monthly budget monitoring reports between April 2023 and October 2024 to assess the arrangements for monitoring temporary accommodation costs and budget management and if plans are in place to address any potential forecasted budget overspend.
- ▶ Procedural guidance in place for officers, to ensure it is up to date incorporating any recent changes in legislation, easily available and clearly defines roles and responsibilities.
- ▶ The collaboration approaches that the Council takes both internally and externally and if this aligned with local priorities, community needs, and statutory requirements.
- ▶ Housing Overview and Scrutiny Committee meeting minutes between July 2023 and March 2024 to assess the effectiveness of reporting to senior officers and Members on homelessness cases and costs and whether effective scrutiny is provided.

- ▶ 10 cases of applicants in temporary accommodation between November 2023 and September 2024, focusing on those with longest stays, to assess whether:
  - Initial eligibility criteria was appropriately assessed
  - Cases were regularly reviewed for progression to permanent accommodation
  - Support needs were identified and addressed
  - Actions taken aligned with strategy priorities.
- ▶ Collaboration arrangements between the Homelessness team and other services including:
  - Internal departments (Neighbourhoods and Housing team)
  - External partners (Change 4 Lincolnshire forum).
- ▶ Assessed staff training records to verify appropriate qualifications and ongoing development in handling homelessness applications and supporting vulnerable applicants.
- ▶ Interviewed the Head of Service for Housing regarding budget management and procurement arrangements for temporary accommodation providers.



## AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ Budget monitoring of the Council's expenditure on temporary accommodation is done monthly with budget monitoring reports covering the incoming grant funding and contributions. A yearly assessment of the budget is also conducted at the end of the financial year to determine whether there have been any variances in how the homelessness team have performed. The most recent set of budget notes from the October 2024 meeting stated additional funding was received in October 2024 from Department for Levelling Up, Housing and Communities (DLUHC) with £268,000 in additional funding being provided. The emergency accommodation spend at the current time of the year (October 2024) was noted to be £131,978.71.
- ▶ Proactive budget management is evidenced by the Head of Service for Housing's submission of a revenue budget amendment to increase the emergency accommodation budget by £300,000 for 2024/25, showing forward planning to address identified funding gaps.
- ▶ It was noted from discussing with the Head of Service for Housing that the budget historically has been set at a static level of £200,000 since the Head of Service for Housing has been in post as of the third quarter of the 2020/21 financial year. To counter this for the 2024/25 financial year the Head of Service for Housing has submitted a revenue budget amendment to increase the emergency accommodation budget by £300,000. to avoid a repeat of the 2023/24 financial year. With the budget setting noted above, being proactive in regard to amending the budget shows that the Council are being mindful of any potential amendments or fluctuations in terms of the spend for the homelessness team.
- ▶ The Council has implemented a comprehensive suite of procedural guidance documents covering various aspects of homelessness applications, enabling staff to process different case types consistently, from basic applications to complex cases involving refugees or abuse survivors.
- ▶ Effective multi-agency collaboration is demonstrated through participation in the Change 4 Lincolnshire forum - a partnership between four district councils focusing on sharing best practices.
- ▶ The Council demonstrates good governance through its Housing and Overview and Scrutiny Committee, which provides regular oversight of homelessness services. The Committee meets regularly to review homelessness performance ensuring robust scrutiny of service delivery. The Committee's proactive approach to performance monitoring was demonstrated in its January 2024 meeting where it identified the need to revise performance indicators to better measure service effectiveness, showing commitment to continuous improvement and ensuring appropriate oversight of homelessness services through effective challenge and monitoring arrangements.

► There is strong commitment to staff development through a comprehensive training program seen for the homelessness team. Despite the absence of nationally recognised homelessness training, the Council has implemented a robust internal training framework that includes detailed applications processing and safeguarding training. This ensures staff are equipped to handle complex cases, particularly those involving vulnerable individuals or under-age applicants. There was clear documentation of training completion, with certificates held for all homelessness team members, evidencing Council commitment to maintaining a skilled and competent workforce.

AREAS OF CONCERN	Finding	Recommendation, Management Response, Responsible Officer and Implementation date
	<p>The Council's Housing Strategy 2020-2024 is in the process of being revised however it does not contain Homelessness prevention initiatives, aligned to the Corporate Plan 2024-27 (Finding 1 - Medium).</p>	<p><b>A.</b> The Director of Housing 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.</p> <p><b>B.</b> The Head of Service, (Housing) and Safeguarding Lead to develop and implement a local homelessness action plan that identifies area specific risks factors and defined targeted interventions with clear measurable outcomes that align with the Council's overall Housing Strategy and the Lincolnshire Homelessness and Rough Sleeper strategy.</p> <p><b>Management Response</b></p> <p>A. I am happy with these recommendations. The housing strategy is being refreshed for the coming years and is currently being worked on so we can take on board this recommendation.</p> <p>B. I feel that a clear action plan as outlined above is a positive thing and can help to demonstrate performance against the housing strategy and the Lincs homelessness and rough sleeper strategy</p> <p><b>Responsible Officer and Implementation date</b></p> <p>Sarah McQueen, Head of Service (Housing) and Safeguarding Lead 31 March 2025</p>
	<p>From our sample of 10 cases in temporary accommodation, we noted extended stays in most cases with one case remaining in Council owned temporary accommodation for 301 days before</p>	<p><b>A.</b> The Head of Service, (Housing) and Safeguarding Lead should ensure that meeting related to the weekly reviewing of outstanding and existing cases is documented and any associated outcomes related to</p>

	<p>moving to permanent accommodation in September 2024 (Finding 2 - Medium).</p>	<p>reviewed cases are included within the case management system.</p> <p>B. The Head of Service, (Housing) and Safeguarding Lead to develop a temporary accommodation cost management action plan that identifies opportunities for reducing expenditure, through measures such as optimising length of stay and exploring alternative housing options. The plan should include specific targets, timelines and monitoring mechanisms to control cost while ensuring continued compliance with statutory homelessness duties, incorporating regular review points to assess effectiveness and value for money of temporary accommodation arrangements.</p> <p><u>Management Response</u></p> <p>A. Again, I agreed with these recommendations. Also, regular meetings regarding those in temporary accommodation placements are being conducted, we need a clear record of these to demonstrate this work. I will implement this immediately.</p> <p>B. An action plan in relation to temporary accommodation is something I want to create. This plan will be heavily focused on prevention with the aim of trying to prevent the placements in the first place.</p> <p><u>Responsible Officer and Implementation date</u></p> <p>Sarah McQueen, Head of Service (Housing) and Safeguarding Lead 31 December 2024 and 31 March 2025</p>
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## CONCLUSION

We conclude that the Council has a Moderate design of controls and Moderate effectiveness of controls for Temporary Accommodation Management.

### Control Design

The control design is Moderate because while the Council has established a system of internal controls, there are some areas requiring improvement. While we acknowledge some factors are influenced by national challenges, these specifically relate to the following findings:

- ▶ The Housing Strategy 2020-2024 requires review and alignment of homelessness prevention initiatives to the Corporate Plan 2024-2027

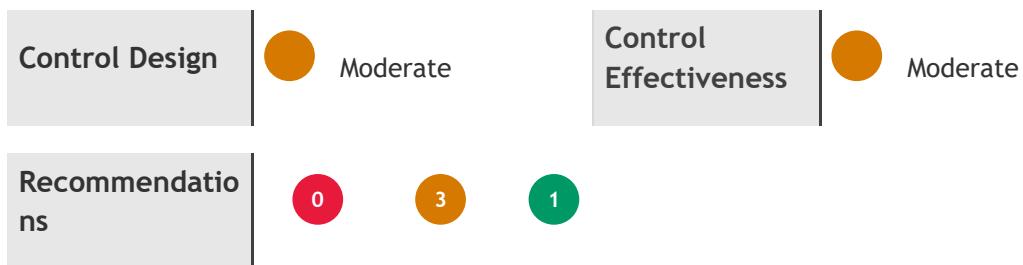
**Control Effectiveness**

Similarly, the control effectiveness was Moderate as while there are areas of non-compliance, some challenges align with national trends. This opinion was principally driven by the following medium and low findings:

- ▶ Extended stays in temporary accommodation potentially impacting stability, mental health and wellbeing of families and children though often involving complex cases requiring specific requirements and multi-agency support
- ▶ Need to update the procedure documents in line with the system update as well as the need to have a formalised approach for temporary accommodation provision.

# BUSINESS CONTINUITY AND DISASTER RECOVERY

SRR REFERENCE 5: UNABLE TO MAINTAIN AND BUILD QUALITY AND CONSISTENCY IN SERVICE PROVISION BY THE COUNCIL.



SCOPE

## BACKGROUND

The Civil Contingencies Act 2004 (the Act) delivers a single framework for civil protection in the UK. The Act establishes a clear set of roles and responsibilities for those involved in emergency preparation and response at a local level. The Act divides local responders into two categories, imposing a different set of duties on each.

Those in Category 1 are organisations at the core of the response to most emergencies (the emergency services, local authorities, NHS bodies). Category 1 responders are subject to the full set of civil protection duties.

The Act identifies the Council as a Category 1 responder. As such, they are required to:

- ▶ Assess the risk of emergencies occurring and use this to inform contingency planning.
- ▶ Put in place emergency plans.
- ▶ Put in place business continuity management arrangements.
- ▶ Put in place arrangements to make information available to the public about civil protection matters and maintain arrangements to warn, inform and advise the public in the event of an emergency.
- ▶ Share information with other local responders to enhance co-ordination.
- ▶ Co-operate with other local responders to enhance co-ordination and efficiency.

The Council is part of the Lincolnshire Resilience Forum (LRF), a collective of Category 1 and Category 2 responders within Lincolnshire, including the district Councils, Lincolnshire County Council, emergency services, flood agencies, internal drainage boards and other relevant parties. The LRF helps the Council to coordinate how it responds to an incident and can assist with training and completion of plans.

## PURPOSE

The purpose of this review was to provide assurance business continuity and disaster recovery arrangements including:

- ▶ Assessing the availability of a robust, and regularly tested business continuity plan for the Council's critical services and functions.
- ▶ Assessing whether there is sufficient IT disaster recovery plans and the ability to restore critical systems, applications and data in the event of a cyber-attack.

## AREAS REVIEWED

The following areas were covered as part of this review:

- ▶ **Business Continuity/ Disaster Recovery Plans** - we reviewed the plans and determined if they appropriately interacted with local service plans and identify

	<p>key aspects of the organisation and the critical systems, whether they could be easily understood and are not unnecessarily complex.</p> <ul style="list-style-type: none"> <li>▶ <b>Business Impact Analysis</b> - We reviewed what risks have been assessed that could potentially threaten the Council's critical functions, and how the Council's risk registers link to the business continuity/disaster recovery plans in place.</li> <li>▶ <b>External factors</b> - We reviewed how the Council has ensured that organisations delivering services on their behalf or capabilities which underpin service provision can deliver to the extent required in an emergency.</li> <li>▶ <b>Training</b> - We assessed the training timetable in place and who has received training in addition to understanding whether it provides the key skills and knowledge required in a crisis.</li> <li>▶ <b>Exercising</b> - We reviewed the exercising timetable in place and whether timescales are appropriate and whether all parts of the plan are covered.</li> <li>▶ <b>Reviewing</b> - We looked at how frequently the plans are subject to review and whether they are updated as per an incident that the Council has been involved</li> <li>▶ <b>Lessons Learnt</b> - We looked at whether there are lessons learnt reports in place in addition to whether any actions have been assigned an owner, have been implemented as per the agreed timescales and action taken where dates have been missed.</li> </ul>
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 AREAS OF STRENGTH	<p>During our review, we identified the following areas of good practice:</p> <ul style="list-style-type: none"> <li>▶ The Council has recorded business continuity risk on the strategic risk register. This is covered in the "Unable to maintain and build quality and consistency in service provision by the Council" risk. Business Continuity Plans are listed as one of the controls to mitigate the risk.</li> <li>▶ There is an overarching Business Continuity Plan in place for the Council that was last revised in June 2024. The plan sets out a clearly defined plan activation flow chart in addition to the roles and responsibilities of the recovery team.</li> <li>▶ Critical functions are considered within the BCP plans and is actively taken into consideration as part of the process. This can be seen from the initial BIAs that have been completed as this forms part of the original planning process. The assessment of critical functions consists of Recovery time objectives and Recovery point objectives and assessing the priority of each activity regarding how essential it is to the service.</li> <li>▶ The Council has a dedicated Business Continuity Steering Group in place who are responsible for monitoring and reviewing strategies, plans, guidance and templates for the Council. The Group has representation from across the Council including the heads of service and the Emergency Planning officers.</li> </ul>
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 AREAS OF CONCERN	Finding	Recommendation, Response, Responsible Officer and Implementation date
	<p>The Council currently has a set of 18 Business Impact Assessments (BIAs) in place which are not yet fully formed BCPs for service areas (Finding 1 - Medium).</p>	<p>A. The Council should ensure that the two outstanding BIAs are completed.</p> <p>B. For each identified directorate/service area, management should ensure that a defined and up to date BCP is in place</p>

	<p>Eight of the Council's BIAs do not confirm whether third parties that the service areas rely on have a corresponding BCP (Finding 2 - Medium).</p> <p>As the Council is undergoing a revision of their approach to business continuity, the individual plans have not been subject to testing and the lessons learned following an incident have not been included within the action log for the business continuity steering group (Finding 3 - Medium).</p>	<p>that identifies staff responsible for the plan in addition to key areas of vulnerability and defined business impact assessments.</p> <p>C. The Council should revise the Incident Response Plan and ensure that this is kept up to date on a regular basis.</p> <p><u>Management Response</u></p> <p>A. The service areas have been contacted to request that the BIAs are completed as a matter of urgency.</p> <p>B. This has been discussed at the steering group and all BCP's have a deadline of January 2025. A reminder will be sent to all BIA holding service areas following the BC exercise on 25 November 2024.</p> <p>C. The Council will update the Cyber Security Incident Response Plan which will then be reviewed on an annual basis.</p> <p><u>Responsible Officer and Implementation date</u></p> <p>A. Phil Swinton, Health and Safety and Compliance Manager, 30 November 2024</p> <p>B. Phil Swinton, Health and Safety and Compliance Manager, 31 January 2025</p> <p>C. Gary Andrew, IT Services Manager, 30 June 2025</p> <p>Within the individual BCPs, management should ensure that any identified activities that depend on a third-party provider have an identified BCP. This should also specify whether the BCP has been tested.</p> <p><u>Management Response</u></p> <p>Third party providers will be contacted by the relevant service areas to request confirmation that they have a BCP and that it has been tested.</p> <p><u>Responsible Officer and Implementation date</u></p> <p>Phil Swinton, Health and Safety and Compliance Manager, 31 January 2025</p> <p>A. 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</p>
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		<p>criticality should be reviewed and updated on a regular basis.</p> <p>B. 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 should be allocated a specific owner and have dedicated implementation dates.</p> <p><u>Management Response</u></p> <p>A. Testing regime has already been created and shared with the BC steering group for approval. As the process is in the middle of a review/ remodel testing cannot take place until the BIAs are completed. The exercise on the 25 November will include critical services areas to ensure those higher risk/ higher demand areas are tested first.</p> <p>B. Debriefs will become a regular feature of any tests or real time incidents.</p> <p><u>Responsible Officer and Implementation date</u></p> <p>Phil Swinton, Health and Safety and Compliance Manager, the testing program is set to run through to 2026 so will be an ongoing matter</p>
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## CONCLUSION

- ▶ We raised three medium priority recommendation and one low priority recommendations to improve the Council's control arrangements for business continuity and disaster recovery.

### Control Design

- ▶ We have concluded moderate assurance for the design of the controls as there is a sound system of internal control designed to achieve system objectives with a few exceptions. This can be seen in the current lack of fully defined BCPs, however we noted that the Council is currently in the process of revising how it conducts business continuity which is expected to be concluded in January 2025.

### Control Effectiveness

- ▶ We have concluded moderate assurance for the effectiveness of the controls as some exceptions were identified during the review. This can be seen with the current service area plans not being subject to testing at the time of our review in addition to the lack of consideration in eight of the BIAs for whether BCPs have been accounted for with third party service providers.

# SECTOR UPDATE

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

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## THE INTERNAL AUDIT AND RISK AGENDA

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2024 looks to be another year of permacrisis with significant geopolitical disruption continuing.

Most of the world's major economies are undergoing elections in the coming year and the conflicts in the Ukraine and the Middle East continue to impact the global economy. Organisations that are only just beginning to recover from the disruption of three years of pandemic face further uncertainty in respect of inflation, interest rates, energy supply costs and talent shortages.

The world is constantly changing and evolving and so an ever-increasing array of challenges will always be heading our way. So how do internal auditors help their organisations 'realise' their potential?

You will have seen the recent announcement from the FRC on the updates to the **UK Corporate Governance code**. It puts the role of Internal Audit as the 'eyes and ears' of an organisation in the spotlight once again - where we will play a critical role providing insight into culture, effectiveness of risk management and controls. Internal Audit is in the privileged position to operate holistically across an organisation and therefore will support Management and the Board in identifying and the ongoing monitoring of those material controls.

The Internal Audit and Risk Agenda sets out some of the key challenges on the horizon that Internal Audit should be considering when thinking about the wider assurance footprint relevant for their organisations.

[The Internal Audit and Risk Agenda - BDO](#)

### FOR INFORMATION

For Members of the Audit Committee

## AUTUMN BUDGET 2024: OUR EXPERT ANALYSIS

Chancellor Rachel Reeves' Autumn Budget has introduced a £40 billion tax increase, significantly impacting financial planning and operational costs for businesses. Notably, the increase in National Insurance contributions and the potential rise in National Minimum Wage will necessitate a thorough review of financial strategies. It is crucial for finance leaders to evaluate whether their financial controls and operational models are equipped to adapt to these changes.

Our detailed analysis provides insights on navigating these changes and optimising your approach to ensure resilience and compliance.

[Autumn Budget 2024: Get the full analysis](#)

### FOR INFORMATION

For the Governance and Audit Committee and Executive Directors

## INTERNAL AUDIT AND RISK AGENDA SPOTLIGHT ON

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Dive into some of the key risk areas that come up time and time again in our conversations with regulators, professional bodies, and importantly Head of IA & Risk - the topics of AI, Culture and ESG.

In a time of permacrisis, when it is more important than ever to make sure that we are prioritising the things that really matter, and that our finite resources are focused in the right areas, we asked our experts what Heads of Internal Audit should be thinking about.

Culture: Why is Culture important and how does it empower businesses to achieve their strategic goals? The following areas were covered as part of this video:

- What is a Culture audit?
- What would we typically include when we are doing a Culture audit?
- Why is Culture so important?
- What are the benefits of doing a culture audit?
- What is the difference between company culture and auditing risk culture?

[Internal Audit & Risk Agenda Spotlight On: Culture \(youtube.com\)](#)

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## THE RULES GOVERNING PUBLIC PROCUREMENT ARE CHANGING - THE NEW PROCUREMENT ACT INTRODUCES SEVERAL KEY BENEFITS WHICH ARE DUE TO GO LIVE ON MONDAY 24 FEBRUARY 2025.

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One in every three pounds of public money, some £400 Billion a year, is spent on public procurement.

The reforms proposed within the Procurement Act are important, because they will shake up our outdated procurement system, so that every pound goes further for our communities and public services. They will place value for money, public benefit, transparency and integrity at the heart of our procurement system; they will modernise and unify our systems and processes; and they will get tough on the poor performers and fraudsters.

The Act will reform the UK's public procurement regime, making it quicker, simpler, more transparent and better able to meet the UK's needs while remaining compliant with our international obligations. It will introduce a new regime that is based on value for money, competition and objective criteria in decision-making. It will create a simpler and more flexible, commercial system that better meets our country's needs. And it will more effectively open public procurement to new entrants such as small businesses and social enterprises so that they can compete for and win more public contracts. It will strengthen the approach to excluding suppliers where there is clear evidence of their involvement in Modern Slavery practices, and running throughout each part of the Bill is the theme of transparency. We want to deliver world-leading standards of transparency in public procurement and this Act paves the way for that.

The Transforming Public Procurement programme aims to improve the way public procurement is regulated in order to:

- ▶ Create a simpler and more flexible, commercial system that better meets our country's needs while remaining compliant with our international obligations
- ▶ Open up public procurement to new entrants such as small businesses and social enterprises so that they can compete for and win more public contracts
- ▶ Embed transparency throughout the commercial lifecycle so that the spending of taxpayers' money can be properly scrutinised.

The Procurement Bill, which will reform the existing Procurement Rules, has now received Royal Assent. You can view the new Procurement Act on the [UK legislation website](#), and the official record of the Bill's progress through Parliament, with all supporting documents on the [Parliamentary website](#).

<https://www.gov.uk/guidance/the-official-transforming-public-procurement-knowledge-drops>

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**THE RULES GOVERNING PUBLIC PROCUREMENT ARE CHANGING - THE NEW PROCUREMENT ACT INTRODUCES SEVERAL KEY BENEFITS WHICH ARE DUE TO GO LIVE ON MONDAY 24 FEBRUARY 2025.**

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**THE NEW WORKER PROTECTION ACT & SEXUAL HARASSMENT IN THE WORKPLACE**

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We explore the introduction of the Worker Protection Act 2023; outlining what the Act is, the intended impact, implications for employers and reasonable steps to addressing the compliance requirements.

We also explore how employers can go beyond compliance to create a psychologically safe and ethical working environment for their people.

The Worker Protection Act 2023 comes into effect in October 2024 and places a legal duty on UK employers to actively prevent and address sexual harassment in the workplace. The Act is an amendment of the 2010 Equality Act and holds employers accountable to "take reasonable steps to prevent sexual harassment of employees in the course of their employment".

Rather than redressing past incidents, the Act will introduce the requirement for employers to take reasonable steps to protect their employees from the occurrence of sexual harassment. This includes when employees are working outside of their normal workplace and at workplace social events which will be considered an extension of the workplace under the Act.

At this time, it isn't clear what these "reasonable steps" will look like. However, as the guidance will introduce a mandate and onus for organisations to define and embed ethical preventative measures into their workplaces to prevent sexual harassment, it will require the urgent proactive assessment of processes, policies and working practices for many UK employers against the new requirements.

**The New Worker Protection Act & sexual harassment in the workplace - BDO**

**FOR INFORMATION**

For the Audit and Governance Committee Members and Executive Directors

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**DISTRICTS WANT COUNCIL TAX FLEXIBILITY, DEVOLUTION AND OTHER POWERS FROM NEW GOVERNMENT**

**COUNCIL TAX REFERENDUM LIMITS SHOULD BE RAISED TO AT LEAST 10% NEXT YEAR AS A FIRST STEP TO SCRAPPING THEM ALTOGETHER, DISTRICT COUNCILS HAVE SAID.**

The measure is part of an ambitious package of proposals aimed at securing the financial sustainability of district councils and giving them the freedom and flexibility to transform local areas.

In a prospectus, the District Council Network is calling for a permanent commitment to multi-year settlements and a radical streamlining of one-off capital and revenue funding pots, with competitive bidding replaced by larger, more flexible sources of funding which maximise local discretion.

All formula-based specific grants should be rolled into the main local government finance settlement, the group says.

It also wants to see greater local control over business rates, with councils retaining 75% of receipts, and local housing authorities handed all additional income generated by the council tax supplement on second homes.

A wider shake-up of fiscal devolution is needed to help districts raise the income needed to regenerate high streets and town centres, it says, and new sources of local revenue such as tourist taxes should be easier to introduce.

The group argues that district councils have taken a disproportionate hit in recent years, with their core spending power having dwindled by 15% in real terms since 2015, compared with an 11% increase for local government.

In response, they had no choice but to deliver 10% in savings and service cuts to balance their budgets last year, it said.

“By forging a strong partnership between district councils and central government, we can secure the long-term sustainability of district funding... and deliver the financial freedoms and flexibilities that will allow districts to respond to the local needs we are uniquely placed to identify,” it said.

Elsewhere in the prospectus, districts set out how they can accelerate the delivery of new homes, boost the supply of social and affordable housing and prevent homelessness.

<https://www.publicfinance.co.uk/news/2024/07/districts-want-council-tax-flexibility-devolution-and-other-powers-new-government>

**FOR INFORMATION**

For the Governance and Audit Committee and Executive Directors

# KEY PERFORMANCE INDICATORS

QUALITY ASSURANCE	KPI	RAG RATING
The auditor attends the necessary, meetings as agreed between the parties at the start of the contract	All meetings attended including Governance and Audit Committee meetings, pre-meetings, individual audit meetings and contract reviews have been attended by either the Partner or Audit Manager	G
Positive result from any external review	Following an External Quality Assessment by the Institute of Internal Auditors in May 2021, BDO were found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards	G
Completion of audit plan	We have completed two reviews and a third-party assurance grant review and are therefore, progressing in accordance with the internal audit plan.	G

DELIVERY	KPI	RAG RATING
Completion of audit plan	Half of the Plan is either at fieldwork, reporting stage or completed. We anticipate 7/9 of the 2024-25 audits to be presented to Audit Committee before January 2025, representing significant progress and likelihood of full completion of the plan by March 2025.	G

# APPENDIX I

## OPINION SIGNIFICANCE DEFINITION

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

## RECOMMENDATION SIGNIFICANCE DEFINITION

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

**FOR MORE INFORMATION:**

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The matters raised in this report are only those which came to our attention during the course of 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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