

INTERNAL AUDIT PROGRESS REPORT

SOUTH KESTEVEN DISTRICT COUNCIL

JANUARY 2025

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SUMMARY OF JANUARY 2025/25 WORK

INTERNAL AUDIT

This report is intended to inform the Governance and Audit Committee of progress made against the 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.

JANUARY 2025/25 INTERNAL AUDIT PLAN

We have made good progress in the delivery of the JANUARY 2025/25 audit plan.

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

- ▶ Council Tax and NNDR.

Planning is underway in respect of the following audits:

- ▶ Data Protection and Freedom of Information (FOI), Environment Information Regulations (EIR) and Subject Access Requests (SAR)

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

CHANGES TO THE 2024/25 INTERNAL AUDIT PLAN

Due to the changes in the transition date of the Council's financial management system, we propose the Main Financial Systems audit planned for Q4 2024/25 be moved to Q3 2025/26. The Main Financial Systems audit will be delivered in Q3 2025/26, focusing on the effectiveness and efficiency of the new system that is being implemented.

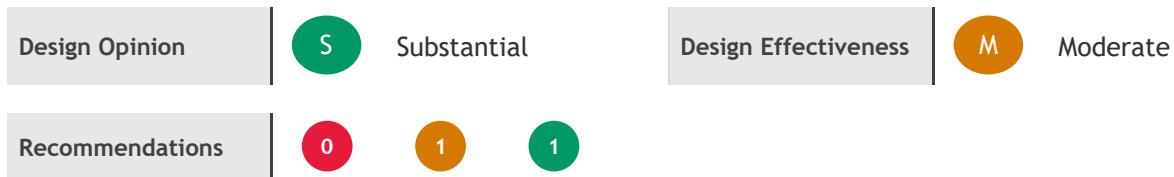
This proposal has been discussed with the Senior Leadership team.

REVIEW OF JANUARY 2025/25 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 rd 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	✓	✓	✓	S	M
Main Financial Systems	Paul Sutton	19 March 2025	✓				
Data Protection and FOI, EIR and SAR	Graham Watts	19 March 2025	✓				

COUNCIL TAX AND NNDR

SRR REFERENCE: 4 - INEFFECTIVE FINANCIAL MANAGEMENT



SCOPE

BACKGROUND

- ▶ South Kesteven District Council (the Council) are responsible for setting, billing, and recovering council tax and national non-domestic rates (NNDR) within its jurisdiction. These revenue streams are crucial for funding local services and ensuring financial stability. All residential properties are allocated to a council tax band between band A-H, set by the Valuation Office Agency (VOA) and the Council charge an annual council tax fee for each band. Discounts and exemptions are available to qualifying residents, based on national legislation and local discretionary powers. For example, single person discount, student exemption, etc.
- ▶ The Council receive NNDR, also known as business rates, from commercial properties. Business rates are a tax on the occupation of non-domestic properties like shops, offices, pubs, warehouses, and factories. The VOA calculates a rateable value for each commercial property every three years. To calculate an occupier's business rates liability a multiplier is applied to the rateable value. For properties with a rateable value over £51,000 the higher multiplier of 54.6% is used and for properties below £51,000 the lower multiplier of 49.9% is used. In the Autumn Budget, the Chancellor announced that for 2025/26, the lower multiplier will remain stable, but the higher multiplier will increase to 55.5%. The Retail, Hospitality and Leisure relief scheme will be extended for one year for 2025/26, retaining the existing eligibility criteria but reducing the level of relief to 40%, up to a cap of £110,000 per business.
- ▶ Council tax and business rates are managed on the NEC (Northgate) Revenues and Benefits system. It recently launched the Citizens Access Revenue portal; an online self-service portal for residents to register, view their bills and pay their council tax, as well as apply for and register for discounts and exemptions to improve efficiency and accessibility of council tax management for residents.
- ▶ In 2023/24, the Council collected £98.02m in council tax representing a collection rate of 98.4%, and £39.81m in business rates at a collection rate of 99.1%, surpassing its collection rate target of 97.9%. We have provided further details on the collection performance against other local authorities in Lincolnshire in the 'Added Value' section of this report.

PURPOSE

- ▶ The purpose of the audit was to provide assurance on the effectiveness of procedures for setting, billing and recovering council tax and NNDR, and to review the newly implemented Citizens Access Revenue portal to determine whether the portal has met its intended purpose of assisting residents to manage council tax.

AREAS REVIEWED

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

- ▶ The Council's policies and procedures for managing council tax and NNDR, including the Council Tax Reduction Scheme, to verify whether these have been reviewed and approved in a timely manner. We also assessed whether these clearly outlined the

procedures for billing and collecting council tax and NNDR and recovering outstanding payments from customers.

- ▶ The Revenues team have an Annual Billing Plan to coordinate its activities during the billing period, to ensure that annual bills are issued in a timely manner prior to the start of the financial year. The plan identifies lessons learnt from the prior year's billing process to support improvements in the service.
- ▶ The process for identifying and billing new properties and occupants, including verification of VOA banding, billing accuracy, and timeliness of new account setup.
- ▶ The Senior Recovery Officer performs a weekly reconciliation between the rateable values and banding of properties on the VOA's listing and the Northgate system to confirm that properties are accurately recorded in the system.
- ▶ Ten council tax and NNDR (20 in total) accounts for new properties/occupiers set up between August 2023 and September 2024 to assess whether:
 - The property had been given the correct banding, per the VOA records
 - The occupier had been billed accurately and in a timely manner
 - Payments had been received from occupiers for council tax and NNDR liabilities.
- ▶ The implementation and operation of the Citizens Access Portal, including user authentication controls, how the system integrates with other systems, and how it is used for performance monitoring against targets.
- ▶ The Council's debt recovery processes, including the annual recovery timetable, enforcement actions, and monitoring of recovery performance.
- ▶ Ten accounts in arrears for council tax and NNDR (five for each) to assess whether adequate debt recovery activity had taken place. Our sample focused on larger and longer overdue debts.
- ▶ Ten debts written off between September 2023 and July 2024 to assess whether these were approved in accordance with the Scheme of Delegations and followed the write-off procedures.
- ▶ Performance monitoring and reporting arrangements, including collection reporting in the Recovery Matters newsletters monthly finance updates to Portfolio Holder and quarterly collection rates reporting to the Finance and Economic Overview and Scrutiny Committee. We assessed whether the reports were robust and clear over the collection performance to support effective scrutiny and monitoring.
- ▶ Walkthrough of the Northgate system with key staff to assess the adequacy of automatic controls within the system to calculate and bill customers.



AREAS OF STRENGTH

We identified the following areas of good practice:

Procedures and Billing

- ▶ The Council has a comprehensive policy framework for revenue collection, demonstrating robust governance arrangements and processes for council tax and NNDR. The procedure notes provided clear guidance to staff responsible for processing bills and collecting income and were updated yearly.

Citizens Access Portal

- ▶ The Citizens Access Portal was implemented in November 2023 and there has been a steady growth in user registration and use of e-billing (87.9% of registered users have selected this option). There were robust authentication controls requiring users to provide a minimum of two forms of identification to register, including their property's postcode, the three last digits of their phone number and their council tax account number before creating a username and password. The portal also integrates with Northgate on a real-time basis which has reduced the response times to customer queries.
- ▶ The Council have created a set of user-friendly guides, with screenshots of each screen on the portal, to help customers navigate the system. To support proactive engagement with customers, a formal consultation with users has been scheduled

for February 2025 to obtain feedback from customers for further improvements to the portal.

Debt Recovery and Write-Off

- ▶ The Council have effective debt recovery processes built on a structured annual timetable with clear progression stages, systematic enforcement actions, and appropriate monitoring by senior staff. This is supported by comprehensive system records.
- ▶ We reviewed a sample of ten debts and identified that adequate actions had been taken, in accordance with the Council's procedures, to escalate and recover the debts. The full amount had been recovered in three cases and reminders (or further escalation) had been issued in the other seven cases.
- ▶ The Council has introduced arrears reduction targets for 2024/25, to reduce council tax and NNDR arrears by 40% and 50% respectively. It has reduced their council tax arrears by 31% and business rate by 39.2% in the year up to September 2024 and is performing in line with the targets set. This is due to the automation of processes and procedures through the implementation of the Client Access Portal which has reduced service turnaround time and provided timely notification of residents.
- ▶ There was a separation of duties for writing off aged council tax and NNDR debts, with different staff proposing, authorising and actioning the write-offs. This reduces the risk of debts being inappropriately or fraudulently written off. The authorisation levels were based on thresholds, set out in the Council's Scheme of Delegations.

Reporting

- ▶ Council tax and NNDR collection performance monitoring was robust, with detailed monthly reporting through multiple channels including Recovery Matters newsletter, updates to the S151 Officer, and to the Finance and Economic Overview and Scrutiny Committee. The Council had high collection rates, ranking second highest in Lincolnshire for 2023/24 for council tax at 98.4% and the highest for NNDR at 99.1%.

AREAS OF CONCERN	Finding	Recommendation and Management Response
	<p>There were delays in processing debts to be written off, up to 210 days in some instances, despite a monthly process for writing off debts and a business rate case written off has no documentary evidence to support consultation with Cabinet Member for Finance. Extended delays in processing write-offs could result in Council not being able to demonstrate transparency and accountability in managing its financial processes, while gaps in documentary evidence could impact the Council's ability to evidence appropriate decision making (Finding 1 - Medium).</p>	<p>A. The Head of Revenues, Benefits, Customer and Community should update the debt write off procedures with a clear timescale by which debts should be authorised once they have been proposed for a write-off.</p> <p>B. The Head of Revenues, Benefits, Customer and Community should implement a centralised document management system within the Revenues team for write-off authorisation, with clear tracking to ensure all supporting documentation is properly stored and easily retrievable for audit purposes.</p> <p><u>Management Response</u></p> <p>A. Write offs for individual debts that exceed the £25k threshold will be reported to the Cabinet Member for Finance in accordance with the Scheme of Delegation. The write off procedure will be as follows:</p>

	<ul style="list-style-type: none"> • Write off spreadsheet to be updated by proposing officers during the month as required • All write offs to be authorised and actioned within 90 days • Quarterly write off report to be issued to the Cabinet Member for Finance <p>B. This is already in place with a centralised folder on the SK network which includes the write off spreadsheet and email confirming authorisation</p> <p><u>Responsible Officer and Implementation date</u></p> <p>Head of Revenues, Benefits, Customer and Community</p> <p>7 January 2025</p> <p>7 January 2025</p>
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CONCLUSION

We conclude that the Council has a Substantial design of controls and Moderate effectiveness of controls for the setting, billing and recovering council tax and NNDR.

Control Design

The control design is Substantial as the Council has a robust system of internal controls designed to achieve its objectives. There were clear policies in place to outline discounts and reductions that can be applied and procedures to support the consistent processing of applications. Similarly, there were robust policies for writing off council tax and NNDR debts, although these were not always followed.

The Council has implemented the Citizens Access Portal to streamline the process for amending council tax and NNDR accounts, applying for discounts, paying bills, etc. This has enabled occupiers to easily self-amend details, reducing the time for processing changes and improve Council collection rate through timely and instant notification.

Control Effectiveness

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

There were significant delays in writing council tax and NNDR debts off, once they had been proposed for a write off and new bills not being issued to new occupiers in a timely manner. The Council have some resource challenges in its Enforcement team and have failed to fill the vacant Visiting Officer roles which could impact its enforcement activity. However, our benchmarking to other local authorities in Lincolnshire identified that the Council were among the highest performing for council tax and NNDR collection. This indicates that despite the resource challenges, it continues to have effective arrangements for collecting income.

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.

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

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 the 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 the procurement system; they will modernise and unify 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 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.

In summary, 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 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>

FOR INFORMATION

For the Governance and Audit Committee and Executive Directors

BDO: THE NEW WORKER PROTECTION ACT & SEXUAL HARASSMENT IN THE WORKPLACE NEW GLOBAL INTERNAL AUDIT STANDARDS

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 Governance and Audit Committee and Executive Directors

NEW GLOBAL INTERNAL AUDIT STANDARDS AND SUPPORTING CIPFA PUBLICATIONS

In January 2024, the Institute of Internal Auditors (IIA) published the new Global Internal Audit Standards (GIAS) to replace the International Professional Practices Framework with effect from January 2025. This was followed by the publication of the Internal Audit Code of Practice by the Chartered Institute of Internal Auditors in UK in September 2024, applicable to internal auditors in financial services, private and third sectors with effect from January 2025, however, this was not drafted with the public sector in mind.

In December 2024, the Internal Audit Standards Advisory Board (IASAB) published Application Note Global Internal Audit Standards in the UK Public Sector. This, together with the GIAS, comprises the "Public Sector GIAS", which will replace the current Public Sector Internal Audit Standards from 1 April 2025. The Application Note sets out the expectations of internal audit providers and chief audit executives under the new standards. Auditors working in the UK public sector must follow the requirements of the GIAS subject to the interpretations and additional requirements set out in the Application Note.

Our existing processes meet the requirements of the new Public Sector GIAS. We will ensure that this is clearly set out in our audit plan for 2025/26 and further reporting to the Council.

In addition, CIPFA has developed a Code of Practice for the Governance of Internal Audit in UK Local Government (the Code) to support local authorities in establishing their internal audit arrangements and providing oversight and support for internal audit. The Code is designed to work alongside the new GIAS and replaces the organisational responsibilities set out in the Statement on the role of the head of internal audit (CIPFA, 2019). It is aimed at those responsible for ensuring effective governance arrangements for internal audit:

- ▶ The body or individual charged with governance
- ▶ The Audit Committee
- ▶ Senior management of the authority, including the statutory officers, head of paid service, monitoring officer and section 151 officer.

[Global Internal Audit Standards](#)

[Global Internal Audit Standards in the UK Public Sector | CIPFA](#)

[Code-of-Practice-for-the-Governance-of-Internal-Audit-in-UK-Local-Government-for-consultation \(5\).pdf](#)

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
DELIVERY	KPI	RAG RATING
Completion of audit plan	More than 75% of the Plan is completed and the remaining either at fieldwork or reporting stage, 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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