

South Kesteven District Council
Internal Audit Progress Report
November 2025



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 have made good progress in the delivery of the 2025/26 audit plan.

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

- ▶ Performance Management.

Fieldwork is in progress in respect of the following audits:

- ▶ Treasury Management
- ▶ Building Control
- ▶ IT Strategy.

Planning is underway in respect of the following audits:

- ▶ Accounts Payables
- ▶ Market Services
- ▶ Main Financial Systems.

We anticipate presenting these reports at future Governance and Audit Committee meetings.

Review of 2025/26 work

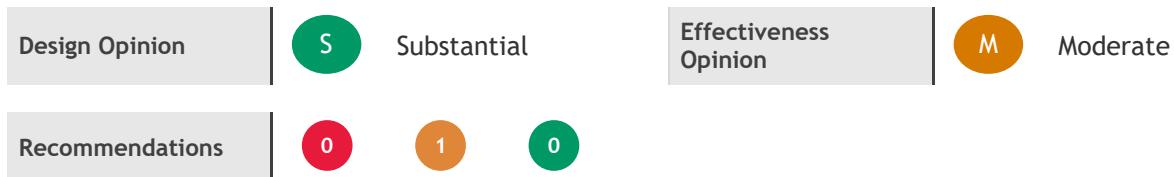
AUDIT	EXEC LEAD	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Climate Plan	Director of Housing	18 June 2025	✓	✓	✓	M	S
Payroll Access	Assistant Director of Finance	23 July 2025	✓	✓	✓	M	S
Voids Management	Director of Housing	24 September 2025	✓	✓	✓	M	M
Performance Management	Director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

Performance Management

SRR REFERENCE:

13 -GOVERNANCE FAILURE

15 -UNABLE TO EFFECTIVELY RESPOND TO POLITICAL PRIORITIES



SCOPE

Background

- ▶ Effective performance management is fundamental to ensuring that public services deliver value, remain accountable, and respond to the changing needs of communities. Within local authorities, the performance framework has a pivotal role in tracking delivery against strategic objectives, providing evidence-based insight for decision-making, and driving continuous improvement across service areas.
- ▶ South Kesteven District Council (the Council) approved and adopted its Corporate Plan 2024-2027 in January 2024, which sets out five strategic priorities: Connecting Communities, Sustainable South Kesteven, Enabling Economic Opportunity, Housing, and an Effective Council. These ambitions are underpinned by a suite of strategic and operational key performance indicators (KPIs), which were approved and implemented in April 2024 to measure progress and support robust scrutiny.
- ▶ The KPI framework is managed by the Corporate Projects and Performance Team and is reported through a newly developed Power BI dashboard that enables real-time visibility and transparency of performance data.
- ▶ Performance reports are provided annually to Cabinet, bi-annually (Q2 and Q4) to the Overview and Scrutiny Committees, and quarterly to the Corporate Management Team (CMT). This process is intended to support early identification of areas requiring attention, enable prioritisation of resources, and reinforce a culture of accountability and learning.
- ▶ Given that 2025/26 is only the second year of the implementation of the framework and the Council's reliance on it to monitor progress, allocate resources, and identify service improvement opportunities, it is critical that the framework operates effectively and in line with good practice standards.

Purpose

- ▶ The purpose of the audit was to evaluate the adequacy and effectiveness of the Council's performance management framework in supporting delivery of the Corporate Plan objectives.
- ▶ The review assessed whether KPIs are SMART (specific, measurable, achievable, realistic and time-bound), appropriately monitored, reported through the Council's governance channels, and used to inform strategic and operational decisions.

Areas reviewed

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

- ▶ The Council's approach to developing its suite of KPIs, including consultation with Overview and Scrutiny Committees, alignment to the five Corporate Plan priorities, and integration into service plans.

- ▶ Whether KPIs were SMART and provided adequate coverage of all priority areas.
- ▶ The Council's KPI data and Power BI dashboard to confirm that each KPI has an assigned owner, quarterly updates and commentary were provided, and that accountability processes (including KPI updates and escalation routes) were in place.
- ▶ Reporting timetables to the Overview and Scrutiny Committees, Cabinet and Governance and Audit Committee to assess whether there was an appropriate cadence of reporting. The corresponding meeting minutes were reviewed to ascertain whether performance was reported transparently and there was evidence of effective scrutiny.
- ▶ A sample of five red and amber rated KPIs from Q2 and Q4 performance reports for 2024/25 to assess whether there was appropriate oversight and scrutiny of underperformance and remedial actions were identified to improve performance. We assessed whether responsible officers were appointed to implement actions and the progress of these was monitored.
- ▶ Cabinet and Overview and Scrutiny Committee report between April 2024 and July 2025 to evaluate how KPI performance data informed strategic decisions, resource allocation, and policy shifts.
- ▶ Confirmed via enquiry that Members were briefed on the Power BI dashboard and KPI framework in January 2025, to evaluate Overview and Scrutiny Committee capacity and capability to deliver the Council's corporate priorities. We also reviewed evidence of officer support and training to ensure there are sufficient resources and capacity to maintain effective performance management and reporting.
- ▶ Interviewed a cross-section of stakeholders including the Portfolio Holder, Overview and Scrutiny Committee Chairs, and Service Leads. The purpose of these interviews were to obtain insights from key stakeholders on the quality of the information provided to them to perform their role.



AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ A refreshed performance management framework has been introduced, with KPIs agreed by Overview and Scrutiny Committees in March 2024 to provide coverage across the five Corporate Plan priorities (2024-2027).
- ▶ KPIs are embedded into service plans demonstrating a clear golden thread from corporate priorities through to service delivery. These KPIs are directly linked to one of the five corporate plan priorities.
- ▶ KPI data is recorded in a central spreadsheet and in a Power BI dashboard. Each action has been allocated an owner, a RAG rating score and narrative to explain the reason for the score.
- ▶ There is an agreed escalation and reporting process for KPIs. Each quarter, service leads will monitor performance of KPIs and escalate non-completion of updates or underperformance to Directors and to CMT.
- ▶ KPI performance is reported quarterly to CMT, bi-annually to Overview and Scrutiny Committees and annually to Cabinet. For 2024/25, we confirmed that the KPI reports were submitted in accordance with this reporting schedule and reports were published on the Council's website on the 'Performance Reporting' page and were accessible to members of the public. The Council's approach emphasises transparency, ownership by service areas, and embedding of evidence-based decision-making.
- ▶ Red and amber rated KPIs are highlighted for additional scrutiny at both CMT and Committees. Examples of these include Housing -Number of responsive repairs completed on time, Number of homelessness cases overdue for a full decision, Void re-let turnaround time and Planning performance -% of first site visits carried within 10 days (Planning Enforcement), % of major Applications Determined within 10 working days, where remedial actions were agreed and monitored.
- ▶ The Overview and Scrutiny Committees demonstrated effective challenge, requesting follow-up reports or deeper dives where there was consistent underperformance. Members interviewed informed us that KPI reporting has become more efficient and

transparent compared to two years ago, with dashboards enhancing accessibility. Unlike other local authorities we have seen, the Council have opted for a governance structure that includes more Overview and Scrutiny Committees for each service area rather than a single committee overseeing performance across the whole Council. This allows for more in-depth discussions and focus on individual KPIs.

- ▶ There was a clear alignment and consideration of performance data on strategic decision making. These included a restructuring of the Housing Repairs Team where these were not being completed promptly, targeted investment into leisure facilities and adjustments to the finance system implementation timelines.
- ▶ KPI outcomes have been used to support external funding bids and strategy development for net zero and social housing decarbonisation, ensuring alignment between data and resource allocation.
- ▶ A well-attended Member briefing on the new performance framework and Power BI dashboard was delivered in January 2025, enabling Members to understand and challenge KPI results.
- ▶ Officers demonstrated strong knowledge of the framework, with the Performance and Corporate Projects Team providing guidance and validation of service submissions.

AREAS OF CONCERN	Finding	Recommendation and Management Response
	<p>Some KPIs lacked supporting commentary to explain the performance, despite being assigned an owner. Instead, these were either reported as “TBC”, “no data available” or, in some cases, were excluded from the performance reports. This could reduce the Overview and Scrutiny Committees’ and Cabinet’s oversight of performance (Finding 1 - Medium).</p>	<p>The Head of Corporate Projects, Performance and Climate Change should:</p> <ol style="list-style-type: none"> A. 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 and hold service accountable. B. 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. <p><u>Management Response</u></p> <ol style="list-style-type: none"> A. The introduction of a formal escalation process will be immediately implemented with a monitoring log that can be shared with CMT. B. Exceptions will be included in all reports for Overview and Scrutiny Committees and Cabinet for completeness.

		<u>Responsible Officer and Implementation date</u>
		<p>A. Head of Corporate Projects, Performance and Climate Change 30 November 2025</p> <p>B. Head of Corporate Projects, Performance and Climate Change 30 November 2025</p>



ADDED VALUE

As part of this review, we have undertaken data analysis of the Council's full KPI dataset. Using the KPI capture sheet and Power BI outputs, we mapped each KPI to the Corporate Plan priorities and regularised their Q4 2024/25 status. This allowed us to produce clear visual dashboards showing:

- ▶ The overall proportion of KPIs achieved, on target, not achieved, or awaiting data; and
- ▶ The distribution of KPI performance across the five Corporate Plan priorities.

This analysis provides an insight into the balance of delivery across the Council's priorities and highlights areas where progress is more or less advanced.

The summary outputs can be reused by the Corporate Projects and Performance Team to support Overview and Scrutiny Committee discussions, Cabinet reporting, and service planning.

By converting raw KPI data into a strategic picture, this value-added work enhances transparency and strengthens the Council's ability to link performance management with resource allocation and improvement planning.

Overall, the Council is broadly performing well, as 84% of all its KPIs are either on target, achieved or completed, with Sustainable South Kesteven priority being the most progressed with 13 of its 14 KPIs completed as of Q4 2024/25.



CONCLUSION

We conclude that the Council has a Substantial design and Moderate effectiveness of controls for its performance management framework.

Control Design

The control design is Substantial because there is a sound system of internal control designed to achieve system objectives. A suite of KPIs has been agreed by Scrutiny Committees covering all five Council Corporate Priorities with clear accountabilities and structured reporting cycles through CMT, Scrutiny, and Cabinet.

The performance management framework agreed by Overview and Scrutiny Committees in March 2024 has 61 KPIs covering all five Corporate Plan priorities. Each KPI has an assigned owner, with updates captured centrally and uploaded into Power BI. There are service plans that demonstrate a clear golden thread, linking corporate objectives to operational indicators. Reporting timetables are established, with quarterly oversight by CMT, bi-annual reporting to Overview and Scrutiny Committees and annual updates to Cabinet.

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 is evidence of KPI data being used to drive actions, such as housing void turnaround improvements and adjustments to finance and leisure priorities. Overview and Scrutiny Committees were engaged actively, highlighting underperformance and requesting follow-up reports. CMT challenge provides a gateway for commentary before publication.

However, the control effectiveness is reduced by inconsistent updates and commentary across services. Some KPIs lacked explanatory notes, requiring additional intervention by the Performance Team.

Overall, the Council's performance management framework is well designed and maturing in operation, with evidence that it is supporting accountability and strategic oversight.

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	G
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	G
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.	G ↓ A
Completion of audit plan	We have progressed the 2025/26 Internal Audit Plan, with one audit presented to this Governance and Audit Committee meeting and other audits in the fieldwork or planning phase.	G

Appendix 1

OPINION SIGNIFICANCE DEFINITION

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

RECOMMENDATION SIGNIFICANCE DEFINITION

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

FOR MORE INFORMATION:

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