

South Kesteven District Council
Internal Audit Progress Report
January 2026



Summary of 2025/26 work

Internal Audit

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

Internal audit methodology

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



Internal audit plan 2025/26

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

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

Fieldwork is in progress in respect of the following audit:

- ▶ Accounts Payable

Planning is underway in respect of the following audits:

- ▶ Market Services
- ▶ Main Financial Systems
- ▶ Stock Management

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

Changes to the 2025/26 internal audit plan

Management has requested a Stock Management review covering Waste Management, Housing Repairs, Transport and Street Scene be added to the 2025/26 Internal Audit Plan. This review is scheduled for completion in Q4 2025 and will be delivered using the contingency days already approved within the plan.

Review of 2025/26 work

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

Treasury Management

SRR REFERENCE: 4. INEFFECTIVE FINANCIAL MANAGEMENT, 14. SIGNIFICANT FRAUD/THEFT SUCCESSFULLY COMMITTED AGAINST THE COUNCIL

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



SCOPE

Areas reviewed

- ▶ We performed a walkthrough and process mapping of current investment procedures, including weekly meetings, email-based approvals, and spreadsheet use to assess whether control weaknesses were compensated with secondary checks.
- ▶ Reviewed eight investment transactions from September 2024 to August 2025 across different instruments to assess compliance with the Treasury Strategy and authorisation controls.
- ▶ Examined quarterly (Q1 and Q2 25/26) and annual (24/25) treasury reports submitted to Members to evidence level of review or challenge by the Governance & Audit Committee, in compliance with CIPFA's Prudential Code, to support effective oversight and scrutiny of treasury performance.
- ▶ Assessed the level of compliance with key prudential indicators, limits, and policy thresholds as per the 2024/25 Treasury Strategy, and the adequacy of counterparty monitoring, including review of credit reports received from MUFG to ascertain whether updates were integrated into Council records.



AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ In order to monitor prudential indicators and policy thresholds there are several stages of oversight and reporting, this includes:
 - Weekly reporting and meetings between the Treasury Management Officer, Assistant Director of Finance and Deputy Chief Executive on the current investments held, treasury management position and discussion of any upcoming decisions.
 - Quarterly and annual reporting to the Governance and Audit Committee to outline the Treasury Management position.
 - Ad Hoc strategy meetings with the corporate market advisors MUFG.
- ▶ MUFG monitor counterparty risk using Fitch, Standard & Poor's, and Moody's Ratings to establish the risk of given counterparties to create a list of approved investments/lenders. This is monitored by MUFG daily with a weekly list sent to the council, accompanied by an explanatory email where there are differences or changes to the list.
- ▶ From our review of eight investments between September 2024 and August 2025 we found all to be approved with an appropriate segregation of duties.



AREAS OF CONCERN

Low findings

Two low-priority findings were identified, broadly relating to:

- ▶ Governance approval of Treasury Management Practices and
- ▶ The retention of supporting evidence for money Market risk.



CONCLUSION

We have provided a Moderate opinion of control design and substantial effectiveness of controls over Treasury Management functions.

Control Design

We have deemed control design to be moderate as there was generally a sound system of internal controls designed to achieve its objectives, despite some exceptions. These exceptions include the lack of evidence retention for approvals of the Treasury Management Practices as well as for individual investments and the review of risk associated to money market funds.

Control effectiveness

The control effectiveness has been deemed substantial as despite some weaknesses in the control design surrounding evidence retention, all investments within our sample were approved appropriately, in accordance with the scheme of delegation.

Building Control

SRR REFERENCE: 8: UNABLE TO MAINTAIN AND BUILD QUALITY AND CONSISTENCY IN SERVICE PROVISION BY THE COUNCIL, 15: NOT MAINTAINING AND DEVELOPING FRUITFUL PARTNERSHIPS AND COLLABORATIONS

Design Opinion	<div>S</div> Substantial	Effectiveness Opinion	<div>M</div> Moderate
Recommendations	<div>0</div> <div>1</div> <div>1</div>		



SCOPE

Areas reviewed

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

- ▶ The partnership governance framework, including the Service Level Agreement (SLA), Deed of Variation, Partnership Board structure, and Chief Executives' Board oversight, to determine whether roles, responsibilities, reporting lines, and escalation routes are clearly defined, agreed, and actively maintained across the three partner councils.
- ▶ Partnership Board and Chief Executive Board minutes (May 2024 - Sept 2025) to assess whether financial performance, service risks, staffing, KPIs, and regulatory developments (such as the Building Safety Levy and OSRs) are regularly reported, discussed, and actioned.
- ▶ EMBC performance dashboards and KPI monitoring arrangements, including application processing times, plan-checking timeliness, inspection response rates, inspection volumes, market share, and customer satisfaction, to assess accuracy, completeness, timeliness of reporting, and alignment with Operational Standards Rules (OSRs).
- ▶ Customer satisfaction survey results (Mar 2024 - Aug 2025) to assess how surveys are issued, collected, analysed, and escalated, and whether recurring customer themes (e.g., inspection confirmations, contact difficulties, website request handling) are used to drive service improvements.
- ▶ Performed walkthroughs of end-to-end Building Control processes, from application submission via the Council website/EMBC portal through validation, plan-checking, inspection scheduling, and final certification, to assess whether customer-facing and technical processes are well-integrated and consistently applied.
- ▶ The IDOX Uniform system workflow controls to confirm how applications, inspections, correspondence, and performance data are recorded, tracked, and monitored, including the use of automated prompts to support statutory timeframes.
- ▶ Staffing structure and competency information, including details presented in the September 2025 Finance and Economic Oversight and Scrutiny Committee (FEOSC) report, to confirm the roles, experience, and Building Safety Regulator competence registration of surveyors and support staff, and assess whether capacity supports service resilience.
- ▶ Financial management arrangements, including EMBC's cost recovery approach, the 75/25 fee-earning split, monthly financial monitoring reports, fee-modelling spreadsheets, cumulative surplus/deficit tracking, and transparency of public-facing fee information on the Council's website.
- ▶ Review of 10 completed applications for KPI accuracy, including the dataset of applications received/completed (Jan 2024 - Oct 2025), in preparation for validating

application processing, plan-checking timeliness, inspection responsiveness, and inspection volumes through detailed case sampling.

- ▶ Held assurance discussions with representatives from both Partner Councils, to obtain partner level perspectives on effectiveness of the EMBC partnership arrangement, whether partnership expectations and oversight arrangements operate consistently across all three authorities.



AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ There is a well-established governance framework in place, supported by a formal SLA and Deed of Variation. Partnership Board meetings are held bi-monthly with consistent representation from all three authorities, providing structured oversight of finance, staffing, performance, risk and regulatory developments. Strategic oversight is further strengthened by the annual Chief Executives' Board.
- ▶ Performance monitoring arrangements are mature and embedded, with KPI data extracted directly from the Uniform system and reviewed at each Partnership Board meeting. KPI reports consistently show strong performance across application processing times, plan-check turnaround, inspection responsiveness and market share.
- ▶ Financial management is robust and transparent, with clear separation of chargeable and non-chargeable activity, monthly monitoring of income and expenditure, and annual fee modelling aligned with the Building (Local Authority Charges) Regulations 2010 and CIPFA guidance. Consistent use of the 75/25 split provides a stable basis for cost recovery.
- ▶ The IDOX Uniform system is used effectively to manage applications, inspections and case progress. The system provides a fully digital workflow that supports timely processing, consistent record-keeping and automated reminders to maintain statutory compliance.
- ▶ Customer-facing processes and access routes are clear and well designed, with the Councils website linking directly to EMBCs portal to provide guidance on application types, fees, booking inspections, and duty-holder responsibilities.
- ▶ Workforce competence and resilience is strong, with all surveyors either registered or progressing through the Building Inspector Competence Framework (BICoF). The staffing structure includes senior officers, technical surveyors, and support staff with experience across domestic and commercial workstreams. Succession planning is supported through trainee recruitment.
- ▶ Partner councils (Newark & Sherwood District Council and Rushcliffe Borough Council) reported positive working relationships with EMBC, describing the service as effective and responsive, with governance and reporting arrangements through the Partnership Board providing appropriate visibility and assurance.



AREAS OF CONCERN

Finding	Recommendation and Management Response
<p>Survey Results: EMBC collects performance data and customer feedback. However, recurring dissatisfactory themes identified across survey responses are not supported by trend analysis or a documented improvement process, limiting the service's ability to demonstrate continuous improvement (Finding 1 - Medium).</p>	<p>The Building Control Manager should embed a closed-loop performance cycle:</p> <ol style="list-style-type: none"> Obtain more feedback request targeting 20% to ensure more feedback is received Consolidate monthly survey metrics into a standard KPI dashboard (including inspection booking reliability, website request completion rate, contact responsiveness, and AM/PM slot adherence)

		<p>C. Maintain a partnership action log with owners, target dates, and closure evidence</p> <p>D. Escalate negative cases and repeated themes to the Partnership Board with a brief “you said—we did” summary; and verify fixes (e.g., automated inspection confirmation emails and web-form work queues) and reflect outcomes in subsequent dashboards</p> <p>E. EMBC could further strengthen feedback engagements using regular agent forums to promote survey participation and by publishing a ‘You said, we did’ summary on the EMBC and partner council websites. This would improve visibility of learning from feedback and help demonstrate continuous improvement beyond survey collection alone.</p> <p><u>Management Response</u></p> <p>A. The feedback survey currently used will be reviewed to ensure that it is suitable including seeking to increase levels of feedback received. It is intended to set up a developers’ forum, and this can be used to obtain further feedback.</p> <p>B. Work is currently underway to create a KPI dashboard and the scope of this will be reviewed to include the suggested elements.</p> <p>C. 1c. The action logs for the Partnership meetings will be updated to reflect the recommendations1d. The feedback survey data is currently shared with the partners and with the wider team.</p> <p>D. A log will be created to enable monitoring of key themes and review actions or service improvements that have occurred because of any of the feedback received.</p> <p>E. As stated above, a developers/agents’ forum will be set up and this can be used to obtain further feedback and provide updates about service improvements/changes</p> <p><u>Responsible Officer and Implementation date</u></p> <p>A. Assistant Director of Planning & Growth/Building Control Manager. 31 July 2026</p> <p>B. Assistant Director of Planning & Growth/Building Control Manager. 31 July 2026</p>
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	<p>C. Assistant Director of Planning & Growth/Building Control Manager. 28 February 2026</p> <p>D. Assistant Director of Planning & Growth/Building Control Manager. 31 March 2026</p> <p>E. Assistant Director of Planning & Growth/Building Control Manager. 31 May 2026</p>
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ADDED VALUE

As part of the audit, we engaged directly with representatives from the other EMBC partner councils to obtain independent perspectives on the effectiveness of the partnership and the delivery of the Building Control service.

This engagement provided additional assurance that governance reporting arrangements are working well in practice, validated the audit findings through partner insight, and identified constructive opportunities to further strengthen collaboration, local engagement and transparency.

The discussions helped ensure the audit conclusions reflect the experience of all partners and support continuous improvement across the shared service.



CONCLUSION

We conclude that EMBC has a Substantial design of controls and a Moderate effectiveness of controls over the delivery of the Building Control service.

Control Design

The control design is Substantial because there is a sound system of internal control designed to achieve system objectives. Governance arrangements through the Partnership Board are clear and active, performance information is regularly monitored, financial controls support regulatory compliance, and the Uniform system provides an integrated digital workflow to manage applications, inspections and decisions.






Control Effectiveness

The control effectiveness is Moderate because there is evidence of noncompliance with some controls, that may put some of the system objectives at risk. While KPIs and customer satisfaction data are collected consistently and performance is strong, there remains scope to strengthen how customer feedback is analysed to enable continuous improvement, and to consolidate existing process documentation into a locally tailored operating framework.

Overall, the Building Control service is operating effectively, is positively regarded by partner councils and demonstrates a constructive direction of travel. Addressing the identified findings and areas of improvement by partner councils would further strengthen assurance, resilience and transparency across the partnership.

IT Strategy

SRR REFERENCE: 7: FAILURE TO EXPLORE DIGITAL TRANSFORMATION OF COUNCIL SERVICES.

Design Opinion	 Substantial	Effectiveness Opinion	 Moderate
Recommendations	 0	 1	 2



SCOPE

Areas reviewed

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

Digital Strategy Objectives (Risk 1):

- ▶ Review the design of the IT Strategy and how it links to wider corporate objectives.

Roles and Responsibilities (Risk 2):

- ▶ Assess whether key stakeholders are aware of their roles and responsibilities and are appropriately equipped to deliver against objectives.

Policies and Procedures: (Risk 3):

- ▶ Review the effectiveness of associated policies, procedures and associated activities which allow the Council to deliver against the objectives of the strategy.

IT Strategy delivery and performance monitoring (Risk 4):

- ▶ Assess the operation of key controls in the strategy and the arrangements for monitoring the delivery of the strategy and reporting to key stakeholders.

Strategy buy-in (Risk 5):

- ▶ Assess how the Council has bought into the IT Strategy and how other Service Areas interact with the Strategy and understand its objectives.





AREAS OF STRENGTH


We identified the following areas of good practice:

- ▶ The ICT Strategy has been revised and approved by senior management in October 2025. The Strategy sets out how the Council is approach for ICT as well as setting out how ICT links with the Council's corporate plan and financial strategy.
- ▶ The overarching vision of the strategy is framed around two principles of an ICT Platform and A Digital Workforce. The ICT Platform principle ensures that end to end interactions with ICT are streamlined and simple for end users to use while the Digital Workforce principle allows for a change in mindset to have a digitally literate workforce who are willing to embrace IT innovation.
- ▶ The main individuals involved with the delivery of the Strategy are the Head of Property Services and ICT and the IT Services Manager. The Head of Property Services and ICT has overall accountability as the sponsor of the strategy and is responsible for providing updates to the Council leadership while the IT Services Manager is responsible for helping to deliver the action plan for the strategy and ensuring that it is being delivered against the stated themes.
- ▶ As part of this review, we have spoken to five separate service areas consisting of the following members of staff:
 - ▶ Assistant Director of Finance
 - ▶ Business Support Team Leader

- ▶ M & E Projects Officer
- ▶ Democratic Services Manager
- ▶ Customer Service Manager
- ▶ As part of the discussions, we asked each of the team members how they felt about the Strategy and how they believed the objectives and approach of the strategy interact with the objectives and themes. While the individual teams were not consulted directly, we noted that the respective service areas felt supported by IT and that the planned outcomes as outlined in the delivery plan aligned with what they would like to achieve. Furthermore, the individual service areas felt able to approach the IT team without any sense of barriers being in place for what the team were trying to achieve.

 AREAS OF CONCERN	Finding	Recommendation and Management Response	
	The individual themes of the Strategy do not set out how they are linked to the wider corporate objectives (Finding 1 - Medium).	<p>The Head of Corporate Projects, Performance and Climate Change should:</p> <p>A. Management should ensure that the Strategy sets out how the defined expectations and objectives link to the Council's wider corporate objectives, as well as any policies, procedures, and activities that are underpinning its delivery.</p> <p><u>Management Response</u></p> <p>A. As the rollout of the Strategy progresses, clear links between the Strategy outcomes and the Corporate Plan priorities will be established.</p> <p><u>Responsible Officer and Implementation date</u></p> <p>A. Head of Property and ICT, 30 April 2026</p>	

 CONCLUSION	<p>We conclude that the Council has a Substantial design of controls and a Moderate effectiveness of controls over the delivery of the ICT Strategy.</p> <p>Control Design</p> <p>We have concluded that the design of controls supporting the ICT Strategy is substantial as there is a sound system of internal control designed to achieve system objectives. The Council has established a clear strategic framework intended to support delivery of its wider corporate priorities, supported by an articulated vision, defined themes and a supporting programme of delivery activity. The Strategy provides an appropriate foundation to guide ICT investment and decision-making over the medium term.</p> <p>Control Effectiveness</p> <p>The control effectiveness is Moderate because there is evidence of noncompliance with some controls, that may put some of the system objectives at risk. While delivery activity is underway and early implementation arrangements are operating as intended, aspects of governance oversight and performance monitoring are still developing. As a result, the effectiveness of controls has not yet been fully demonstrated across the full life of the Strategy.</p> <p>Overall, it should be noted that the ICT Strategy has only been in effect since October 2025 and has therefore not yet had sufficient time to be fully implemented and embedded. The findings set out in this report should be considered as opportunities to</p>
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 further enhance the effectiveness of the Strategy as it moves from early implementation into full delivery.

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 Elected Members and Executive Directors.

MAYORS TO LEAD THE CHARGE FOR THOUSANDS OF NEW SOCIAL HOMES

MAYORS OUTSIDE OF LONDON WILL BE GIVEN MORE INFLUENCE OVER THE DELIVERY OF THE SOCIAL AND AFFORDABLE HOUSING PROGRAMME IN THEIR AREAS.

On 6 November 2025, the Government announced that Mayors outside of London will be given greater influence over the government's historic £39bn Social and Affordable Houses Programme as part of its drive to increase the provision of social and affordable housing. This programme is expected to provide funds to build around 180,000 homes across England (outside of London and Greater London), with at least 60% of these being social rent homes.

The Housing Secretary has said "We're also backing councils to build again and transform derelict sites into thriving neighbourhoods, urging them to go big, go bold and go build. For the first time Mayors, working jointly with Homes England, will shape the course of action for new affordable housing money in their regions, setting out ambitious plans for the types of homes that get built, sites prioritised for construction and how many suitable bids for grant funding could come forward in each area".

This funding investment has been welcomed by the Chief Executives of Homes England and the National Housing Federation, allowing local leaders to shape the social and affordable housing provision in their communities.

This investment will target areas across the North of England and in the West Midlands.

Mayors to lead the charge for thousands of new social homes - GOV.UK

FOR INFORMATION

For the Governance and Audit Committee and Executive Directors

PROFESSIONAL BODY FOR MONITORING OFFICERS WAS LAUNCHED IN NOVEMBER 2025

A NEW PROFESSIONAL BODY FOR MONITORING OFFICERS WAS LAUNCHED TO ADD TO THE EXISTING BODIES FOR CHIEF EXECUTIVES AND CHIEF FINANCE OFFICERS.

The role of a monitoring officer is a statutory role for all local authorities. However, it present, unlike other statutory roles (chief executive and chief finance officer) it does not have a professional body to represent those in this role.

The Lawyers in Local Government (LLG) will create a professional body focusing solely on monitoring officers in the sector to provide guidance to those in the role and to create a support network for monitoring officers, for professional development and resources.







This professional body is expected to give monitoring officers a stronger voice and increase resilience of the function, particularly to navigate the challenges posed by local government reform.

Professional body for monitoring officers to be launched this month - The MJ

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 Engagement Partner or Engagement Manager.	
Positive result from any external review	Following an External Quality Assessment by the Institute of Internal Auditors in May 2021, BDO was found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards.	
Quality of work	We received three responses to our audit satisfaction surveys for 2025/26 reviews, with an average score of 4.2/5 for the overall audit experience and for the value added from our work. The number of responses is lower than we would expect, and we will work with management team to increase the number of responses to our surveys during 2025/26.	  
Completion of audit plan	We have progressed the 2025/26 Internal Audit Plan, with three audits presented to this Governance and Audit Committee meeting and other audits in the fieldwork or planning phase.	

Appendix 1

OPINION SIGNIFICANCE DEFINITION

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

RECOMMENDATION SIGNIFICANCE DEFINITION

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

FOR MORE INFORMATION:

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