

INTERNAL AUDIT PROGRESS REPORT

RUSHCLIFFE BOROUGH COUNCIL

2023-24

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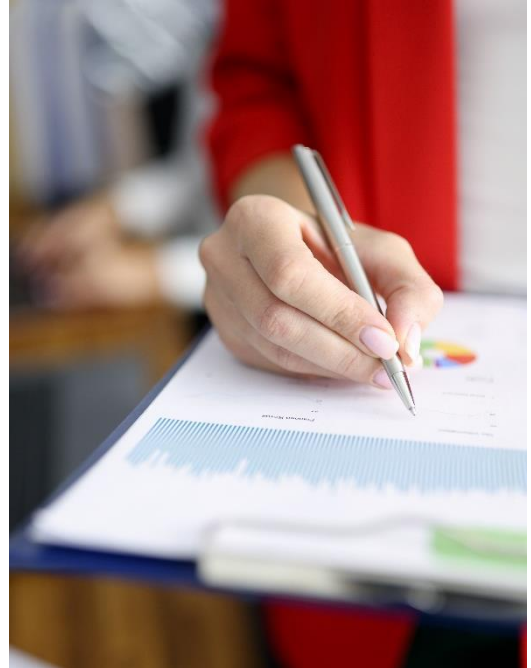
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SUMMARY OF 2023-24 WORK

INTERNAL AUDIT

This report is intended to inform the Governance Scrutiny Group (GSG) of progress made against the 2023-24 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.

2023-24 INTERNAL AUDIT PLAN

We are now making good progress in the delivery of the 2023-24 audit plan, and we are pleased to present the following reports to this GSG meeting:

- ▶ Fleet Management
- ▶ Rushcliffe Oaks Crematorium - Income
- ▶ E-Financials System Controls.

This concludes our 2023/24 internal audit plan.

2024-25 INTERNAL AUDIT PLAN

We have completed the Fraud Report - Advisory review which is included in this report. There is a second part to this report, which is an assessment of the Council's Fraud Risk Assessment process. The work for this has concluded however has not been finalised with management. The Fraud Report will be updated with the assessment and brought back to the next GSG.

We have commenced planning for 2024-25 audits, following the approval of the audit plan by the GSG in February 2024, and anticipate presenting the following report at the next GSG meeting:

- ▶ Workforce and Succession Planning
- ▶ Cyber Security.

CHANGES TO THE 2023-24 INTERNAL AUDIT PLAN






There have been no changes to the Internal Audit Plan.

REVIEW OF 2023-24 WORK

AUDIT	AUDIT COMMITTEE	PLANNING	FIELDWORK	REPORTING	DESIGN	EFFECTIVENESS
Country Parks Income	February 2024	✓	✓	✓	M	S
Fleet Management	May 2024	✓	✓	✓	M	S
Fraud Report	June 2023	✓	✓	✓	N/A	N/A
Governance of Partnership Arrangements	February 2024	✓	✓	✓	S	S
Grant Management Controls	February 2024	✓	✓	✓	S	S
E-Financials System Controls	May 2024	✓	✓	✓	S	S
Main Financial Systems	September 2023	✓	✓	✓	S	S
Markets - Income	September 2023	✓	✓	✓	S	S
Reconciliations	November 2023	✓	✓	✓	S	M
Rushcliffe Oaks Crematorium - Income	May 2024	✓	✓	✓	S	S

FLEET MANAGEMENT

CRR REFERENCE: FAILURE TO DELIVER THE CARBON MANAGEMENT PLAN OBJECTIVES

Design Opinion	 Moderate	Design Effectiveness	 Substantial
Recommendations	  		

 SCOPE

BACKGROUND

- ▶ Rushcliffe Borough Council (the Council) maintain a fleet of 50 vehicles, split mainly across the following areas:
 - Light fleet vehicles for the Streetwise service, which was recently brought back in house by the Council and provides waste management services, tree and hedge management (to Council owned trees) and grounds maintenance works.
 - 23 refuse collection vehicles managed by the Recycling 2 Go (R2Go) Team. This is an in-house function responsible for waste, refuse and recycling collection.
 - Light vehicles used for other services, including pest control and country parks management.
- ▶ The Council have declared a climate emergency and have committed to carbon neutrality by 2030 in its Carbon Reduction Action Plan. The Action Plan estimates that 25% of the Council's emissions arise from its fleet vehicles. Where possible, the Council have sought to purchase electric vehicles as part of its vehicle replacement programme. However, as this is not always economically viable or these vehicles do not meet the specifications that the Council require, it uses other means to reduce its emissions from vehicles. For instance, it uses hydrotreated vegetable oil (HVO) for its heavy goods vehicles rather than diesel.
- ▶ The Council have recently commissioned a review by CENEX to assess how it can improve the environmental sustainability of its fleet through the vehicle replacement programme. The Council has a vehicle replacement programme framework with other local authorities in Nottinghamshire and Derbyshire, allowing it to procure new vehicles from providers on the framework.
- ▶ As the Council operate vehicles over 3.5 tonnes, it is required to hold an operator's licence (O-Licence) and meet the statutory maintenance and qualification requirements. Vehicle maintenance of the Council's fleet is delivered by Nottingham City Council.

AREAS REVIEWED

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

- ▶ The vehicle replacement programme to assess whether new vehicle purchases considered the Council objectives in the Carbon Management Plan.
- ▶ A sample of 10 new vehicles purchased from the framework to assess whether these were procured with due consideration of value for money and environmental factors.
- ▶ Existing arrangements to support the maintenance and repairs of vehicles, including monitoring statutory vehicle checks such as MOTs, vehicle servicing.
- ▶ A sample of five vehicles to assess whether all statutory checks had been completed in line with mandatory timescales, ie MOT. We also assessed whether maintenance checks, ie vehicle servicing, was completed in accordance with the maintenance schedules and that vehicles were taxed appropriately.
- ▶ The Council's vehicle insurance policy to assess whether this provided sufficient coverage of its fleet.

- ▶ A sample of five drivers operating vehicles under the O-Licence, to assess whether sufficient due diligence have been undertaken and verified that these drivers hold a valid licence for the vehicle they operate.
- ▶ Arrangements in place at the Council to comply with the O-Licence conditions, including whether the licence is up to date, drivers operating vehicles under the licence hold appropriate qualifications and vehicles were subject to required maintenance to ensure they are suitable for the roads. We also reviewed whether records on the hours worked by drivers operating the vehicles were retained to demonstrate compliance with safety standards.



AREAS OF STRENGTH

The following areas of good practice were identified:

- ▶ The Council commissioned a review by environmental consultants, CENEX, as a proactive measure to assess the baseline emissions of its current fleet and plan to transform this into a more environmentally-friendly fleet of vehicles. This includes investment in methods such as using alternate vehicle fuels (including hydrotreated vegetable oil (HVO)) and plotting data-backed conversion roadmaps of its vehicles. While the review by CENEX identified that the Council have made limited progress so far to reducing emissions from its fleet (see Finding 2), it has recently applied for £25,000 of grant funding from the Midland Net Zero Hub's Electrification of Council Depots scheme for a feasibility study to install electric vehicle (EV) charging infrastructure at its Bingham depot. Investment in this infrastructure would be critical to achieving an electric fleet.
- ▶ New vehicles were purchased through the Nottinghamshire Officers Transport Framework, which is a collective agreement with other local authorities based in Nottinghamshire. This enables value for money to be obtained through vehicle purchasing as all suppliers on the framework have been through a robust procurement process. The Council recently purchased 10 new vehicles through a direct award, obtaining approval on the Procurement Exemption Form in accordance with the delegated authorities. A business case for the purchase of the vehicles included an outline of the financial benefits, with calculations of alternative costs associated with leasing the vehicles of the useful life of the vehicles. The business case also identified the environmental considerations for purchasing the vehicles, recognising that the Council's EV infrastructure is not yet ready as outlined in the CENEX report. However, it proposes that the vehicles could be converted to use HVO fuels to reduce carbon emissions in the short term, while EV infrastructure can be invested in by then end of these vehicles working lives.
- ▶ There was an efficient and proactive approach to vehicle maintenance using the Fleetwave management system (Fleetwave) to ensure maintenance records were kept up to date. Fleetwave was used to monitor vehicles that are inspected and serviced by Nottingham City Council at the Eastcroft depot, mainly refuse collection vehicles. Other vehicles, serviced and maintained by Trucks and Bus Repairs Ltd, were monitored using a spreadsheet capturing six-weekly maintenance schedules and MOT dates. Maintenance timelines required under the Lifting Operations and Lifting Equipment Regulations 1998 (LOLER) was also recorded on the spreadsheet which is managed by the Fleet and Vehicle Infrastructure Manager. There are formulas embedded in the spreadsheet that automatically notify the Fleet and Vehicle Infrastructure Manager 30 days before the vehicles MOT or service is due. email notifications are also sent from Fleetwave.
- ▶ The Council have a fleet of 50 vehicles. We reviewed five vehicles and verified in all instances that the vehicle MOT, road tax, service inspections and insurance was up-to-date. Of the five vehicles, two were also covered by the LOLER requirements and in both instances the lift equipment was inspected in a timely manner and certificates were retained.
- ▶ The Council have an O-Licence, re-issued to it on 29 September 2023 by the Office of the Traffic Commissioner, for its vehicles in the Eastcroft and Bingham depots. As required by legislation, the Fleet and Vehicle Infrastructure Manager is named on the O-Licence as the transport manager.
- ▶ In accordance with the conditions of the O-Licence, we confirmed:
 - There was proactive vehicle maintenance to ensure vehicles were kept in a roadworthy condition, monitored via Fleetwave and the vehicle maintenance spreadsheet.
 - Driver records were retained for drivers operating under the O-Licence, including evidence of their Certificate of Professional Competence (CPC).
 - Shift logs capturing driving hours and rest periods were retained demonstrating a systematic approach to monitoring and ensuring compliance with driving hour regulations.


AREAS OF CONCERN

Finding	Recommendation and Management Response
<p>The Council do not undertake periodic checks of agency drivers on the DAVIS licence check system and a policy was not in place to formally outline the process for escalating driving licence points with staff (Finding 1 - Medium).</p>	<p>a. Long-term agency drivers should be added to the DAVIS (or to an alternative system/method that detects any driving convictions) and monitored quarterly to confirm that the driver has not had any convictions, licence points or other infractions that could prevent them from operating vehicles.</p> <p>b. A policy or code of conduct should be developed and implemented to outline the responsibilities of drivers in declaring driving convictions and the process for escalating the higher risk drivers. At a minimum it should include the following:</p> <ul style="list-style-type: none"> i. Increasing the DAVIS checks on high-risk drivers to monthly. ii. Requiring the conversation between high-risk drivers and the Fleet and Vehicle Infrastructure Manager to be documented with any actions agreed in the discussion. iii. Conditions where further training or refresher training is required for high-risk drivers. <p><u>Management Response</u></p> <p>The recommendations above are accepted and work will be completed by end May 2024 to ensure agency driver checks are included not just at induction but throughout any longer agency driver employment period. The Fleet and Vehicle Infrastructure Manager will develop a process to ensure that discussions between himself, the driver's managers and the employee (driver) will be documented and followed up in writing.</p> <p>Target date: 31 May 2024</p>
<p>Since declaring a climate emergency in 2019, which recognises that the fleet of vehicles contribute to 25% of the Council's emissions, action has been taken to convert 21 vehicles to HVO fuels (including its refuse vehicles which contribute to 80% of the fleet's carbon emissions) and it has commissioned reviews around the feasibility of electrifying its vehicles. However, further action and monitoring of the transition to zero emission vehicles is required to achieve the target set out in the Climate Change Strategy of net zero emissions by 2030. (Finding 2 - Low).</p>	<p>The Council should consider the operational and financial impact of implemented EV infrastructure and vehicles into its fleet as part of its transition to zero emissions. This should be monitored by the Executive Leadership Team to ensure there is sufficient resources to meet the Council's climate change objectives. While the net zero target for its own operations is for 2030, infrastructure and vehicle replacements will fall prior to this date.</p> <p><u>Management Response</u></p> <p>The recommendation will be reviewed and is covered in the Council-wide Carbon Management Group chaired by a Deputy Chief Executive where fleet and subsequent likely changes is covered as part of the regular agenda items.</p> <p>Target date: Ongoing</p>



CONCLUSION

Overall, the Council have adequate controls in place to manage its fleet, with specific strengths over its vehicle maintenance and statutory check processes and ensuring compliance with the O-Licence. Automatic controls are in place to notify the Fleet and Vehicle Infrastructure Manager when vehicle checks or maintenance are required. Furthermore, we identified that the vehicle maintenance and checks were conducted in a timely manner.

Driver checks are conducted for Council staff using the DAVIS licence management system but were not completed for agency staff. There was also the lack of a formal policy and approach taken with drivers when driver warnings are raised on DAVIS.

While the Council have taken steps to reducing the emissions of its fleet, there is still further action needed to achieve its target of net zero by 2030. It has commissioned a review by external consultants, CENEX, to help create a roadmap to a zero-emission fleet by 2030 and submitted a bid for funding from the Electrification of Council Depots grant. The Council have set an ambitious target of being carbon neutral from its own operations by 2030, from which its vehicle fleet contribute to 25% of emissions.

This leads us to conclude that the control effectiveness is Substantial.

RUSHCLIFFE OAKS CREMATORIUM - INCOME

CRR REFERENCE: ABILITY TO DELIVER RUSHCLIFFE OAKS PROJECT ON TIME AND WITHIN BUDGET

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



SCOPE

BACKGROUND

- ▶ On 3 April 2023 Rushcliffe Borough Council (the Council) opened Rushcliffe Oaks Crematorium. The Crematorium is operated and managed by the Council, with the concept of the environment being central to the site. Through the use of innovative technologies and renewable energy sources, the facility is operationally carbon neutral.
- ▶ The Council charges customers for cremation services, memorialisation plots and other fees which include the provision of photography and DVDs of a cremation service and scattering of ashes. The aim of the Crematorium is to provide an important and necessary community facility to residents and also fund the capital and future investment.
- ▶ . The Council's direct customer base is mostly funeral directors who are invoiced monthly for services provided. Some of the additional offerings, including photography and DVDs are sold directly to families.
- ▶ The Council's booking system, PlotBox, is used to record the services provided to customers, which the Crematorium Manager uses monthly to send invoices through the E-Financials System. If invoices are not paid in a timely manner, the Finance Team are responsible for debt recovery.
- ▶ In its first year of operation, there were 505 cremations at the Crematorium but it underperformed on its income target by c£300,000. However, this was partly due to optimistic targets established in the business case where original assumptions were distorted by the impact of Covid. It did still generate a small surplus of £23,000. According to the April 2024 Portfolio Holder Report, the Crematorium generated £420,472.

AREAS REVIEWED

The following areas were reviewed as part of this audit:


- ▶ The fees and charges for the range of services provided on the Rushcliffe Oaks Crematorium website to assess whether these were transparently published and charged accurately to customers.
- ▶ Market testing/research conducted before the Crematorium opened to ensure the fees and charges were competitive and in line with the objectives of the Crematorium.
- ▶ A sample of 15 income receipts for the Crematorium to assess whether customers were charged correctly, and payment had been received in a timely manner.
- ▶ A sample of aged debts to ascertain whether appropriate action was taken to recover the amount owed from the debtor.
- ▶ Pre-opening and ongoing marketing events and newsletters to assess whether sufficient promotional and marketing activity took place to increase the publicity of the Rushcliffe Oaks Crematorium, particularly among funeral directors who are the core customers.
- ▶ Performance Clinic Reports and Portfolio Holder Briefings to assess whether there was adequate oversight and scrutiny of income generation and collection performance for the Crematorium.




AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ The price list for services provided at the Crematorium was publicly advertised on the website. It provided clear information on the funeral services and any additional costs or conditions associated with the fees such as surcharges for use of Ceremony Hall and other media services.
- ▶ Cremation and memorialisation services were split into separate categories and clearly displayed on the Crematorium's website. The price list could also be downloaded into a PDF Form.
- ▶ There was a robust process followed to set the pricing levels for services at the Crematorium, in accordance with its objectives, including benchmarking with other local crematoriums and market testing with funeral directors. The documented comparison of prices for a range of services provided the Council with an indication of charges applied by other local authorities and private providers.
- ▶ A range of marketing events were undertaken to raise publicity of the Rushcliffe Oaks Crematorium before it opened and in its first few months of opening. A report was presented to the Growth and Development Scrutiny Group in July 2023 to review the Crematorium, which summarised some of the marketing events. These include:
 - Two open days were hosted to allow for locals to visit the site and interact with the Rushcliffe Oaks Crematorium Team and local funeral directors. Further open days are planned for 2024.
 - A Christmas Memorial Service was held in December 2023.
 - A quarterly newsletter is issued to all funeral directors and celebrants. These commenced in November 2023, therefore, only two newsletters have been issued so far.
 - Feedback forms are placed around the Crematorium to obtain visitor feedback.
 - Social media posts (on Facebook and Instagram) are published weekly to update the public on the Crematorium's offerings. Local magazines are also used for advertising.
 - As funeral directors are the Crematorium's main customer base, the Crematorium Team have arranged one-to-one meetings and conducted site visits with local funeral directors to maintain positive relationships.
- ▶ We reviewed 15 invoices issued to customers between 3 April and 31 December 2023 and confirmed that in all cases:
 - There was a record of the services provided on PlotBox to support accurate invoicing.
 - Customers were charged the correct amount, based on the pricing information on the website for the services provided.
 - Payments had been received from the customer, albeit for seven of the invoices sent to funeral directors, these were paid late (see Finding 1).
- ▶ There were sufficient debt recovery processes in place for unpaid invoices by funeral directors. At the end of January 2024 there were only five overdue invoices with a combined balance of £9,830. Automatic reminders are sent to the customers 21 days after an invoice is sent to the funeral director (which is the day the invoice becomes overdue). Subsequent reminders are then sent at period intervals if the invoice remains unpaid. The monthly debtor list for the Crematorium is also sent to the Crematorium Manager to review. We reviewed two of the five overdue invoices on 31 January 2024 and noted that reminders had been sent to the debtor, supporting effective recovery activity. One debt had been transferred to a debt enforcement agency.
- ▶ Appropriate key performance indicators (KPIs) for income generation for the Crematorium have been identified and are reported bi-monthly to the Development and Economic Growth Portfolio Clinic and in the Portfolio Holder report. This is supported by narrative explaining variances between the budgeted and actual income. Overall, the Crematorium has underperformed in 2023-24 for income generated however, the performance reports attribute that to the optimistic targets set in the business case.
- ▶ Finance Business Partners monitor the income and expenditure for the Crematorium versus its budget. The financial performance is reported to in the Development and Economic Growth Portfolio Clinic. Furthermore, debtors income overall is reported to the Executive Management Team.
- ▶ The Crematorium Manager reconciles the income reports between PlotBox and the E-Financials System monthly. These are reviewed by the Service Manager - Economic Growth and Property, maintaining a separation of duties.






 <p>AREAS OF CONCERN</p>	<p>Finding</p>	<p>Recommendation and Management Response</p>
	<p>Across our sample of 10 invoices issued to funeral directors, we identified that these were often paid later than the agreed credit terms, with one invoice paid 140 days late. Albeit, invoices were eventually paid and the Crematorium only had five aged debts at the end of January 2024, which is reasonably low (Finding 1 - Low).</p>	<p>To maintain prompt payments from customers, the Council should consider whether an upfront payment model would be more beneficial. We recognise that there would be other factors in this decision, including the impact that this could have on relationships with funeral directors.</p> <p><u>Management Response</u></p> <p>An upfront payment model is currently rejected but is not ruled out if arrears do become a significant issue for any particular funeral director (on a risk basis). The Council does not recognise this as common practice and is intent on maintaining good relationships with the Funeral Directors. Given there is no ‘bad debt’ as such we are comfortable with existing controls. If a Funeral Director shows signs of financial stress, as with all debtors they will be dealt with in accordance with the Council’s Debt Recovery policy.</p> <p>Target date: Not accepted - based on the fact that debt is currently low for the crematorium but will be considered on a case-by-case basis if a Funeral Director shows signs of financial stress.</p>
	<p>Income collection performance for the Crematorium was not reported on Pentana or to the Development and Economic Growth Portfolio Clinic. There was reasonable reporting on the number of cremations and overall revenue generated, but timely income collected was identified as an area for improvement in Finding 1 (Finding 2 - Low).</p>	<p>The Council should add a new KPI onto Pentana for ‘the percentage of invoices paid on time by funeral directors’. This should be included in the Service Plan performance indicators.</p> <p><u>Management Response</u></p> <p>Agreed and will be implemented in line with the recommendations.</p> <p>Target date: 30 June 2024</p>


 <p>CONCLUSION</p>	<p>We conclude that the Council has a Substantial design of controls and effectiveness of controls for income charging at its Rushcliffe Oaks Crematorium.</p> <p>Our review focused on controls and processes for transparently communicating prices of services, income charging, marketing and engagement and performance reporting. The purpose of this review was not to assess the performance of the Crematorium since it opened on 3 April 2023.</p> <p><u>Control Design</u></p> <p>The control design was Substantial because there was a sound system of internal control designed to achieve system objectives. While the Crematorium has underperformed in its first year against its original business case, there were robust processes in place to communicate with customers (both funeral directors and the public) through open days, direct communication and through other promotional activities.</p> <p>Furthermore, the pricing for the range of services provided at the Crematorium were transparently published on the website. Before the Crematorium opened, the Council benchmarked prices of other local crematoriums to set competitive prices aligned to the Crematorium’s objectives.</p> <p><u>Control Effectiveness</u></p> <p>The control effectiveness was Substantial because the controls that are in place were consistently applied, specifically the accurate charging of services using the PlotBox System. There were also sufficient arrangements in place to reconcile the income recorded on the PlotBox System and the E-Financials System to confirm that customers were charged correctly.</p> <p>There could be further improvements around the timeliness of payment collection from funeral directors, and this could be included as a KPI on Pentana to promote greater oversight.</p>
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However, overall, controls were generally robust and followed appropriately.

E-FINANCIALS SYSTEM CONTROLS

CRR REFERENCE: LONG-TERM LOSS / FAILURE OF MAIN ICT SYSTEMS

Design Opinion	 Substantial	Design Effectiveness	 Substantial
Recommendations	  		



 SCOPE

BACKGROUND
 E-Financials is the financial management system used by the Council. We

AREAS REVIEWED
 This audit focused on the controls in place for the E-Financials system at the Council. This involved reviewing the procedures that are in place for the E-Financials system, including the user administration process with a particular focus on those who have left the Council but were found to have an E-Financials account.

We examined whether:

- ▶ There are inadequate controls in place to limit super user or privileged access to E-Financials to appropriate staff, leading to unrestricted access to the system.
- ▶ Amendments to bank details are not reviewed in a frequent or timely manner, resulting in inappropriate or fraudulent changes.
- ▶ Appropriate controls are in place around the amendment of bank details in the system.
- ▶ There is no or limited effective process in place for ensuring that all active finance system accounts relate to current employees and that accounts are closed when staff leave.
- ▶ There are inadequate processes in place to change user access in a timely manner, leading to inappropriate access being provided to staff.
- ▶ Debts can be written off without appropriate authorisation or separation of duties, resulting in inappropriate debt write-offs.


 AREAS OF STRENGTH

During our review, we identified the following areas of good practice:

Access to the E-Financials system is restricted to two specific user roles, Requisitioner and Approver. Approvers have appropriate set approval limits in place while Requisitioners are users responsible for raising sundry debtors or invoices or purchase orders before being passed to Approvers. Users cannot have both roles, aside from the Systems and Performance Officer who has both privileged access and an approval limit, for legitimate reasons. There one exception to this was for one staff member (KB) account who had both roles when trialling to become a Senior Business Partner. This was picked up through an external audit and the unnecessary access was revoked. We have verified this through viewing her menu access to confirm that KB cannot raise purchase orders.

We have verified that no other users have both access rights bar the Systems and Performance Officer.

When users of the system leave the Council, their user role is changed to that of "Leaver" which removes their entire access to the system, although they still appear as a visible user (albeit not one with any allocated user roles). This is to ensure that any outstanding purchase orders that may be allocated to a particular user are able to be processed. Leavers are identified by the Finance team through a specific payroll diary which records all user activities such as new starters, leavers and new staff posts and increments.

We looked at the full list of leavers in the E-Financials system and compared this with the active user listing. Only one user was found to still be visible as an active user despite appearing in the leaver list, however this was due to having been made a leaver in casual post whilst still retaining a full-time post. The leaver post related to the role of Casual Events Assistant (working at event such as Lark in the park, Christmas light switch on etc) and they would not have had E-Financials access in relation to this role. As a result, this is an appropriate amendment and no issue has been identified with this user change.

Similarly, when a user has their roles amended, they are picked up in the increment list in the payroll diary by the finance team. If users need to have their level of approval changed, it must be authorised before the increment can be processed. We tested the three users on the increment list. None of these users were requiring access amendments which would need to be amended within the E-Financials system.

Write-offs within the E-Financials system follow a set process. They require segregation of duties by having a second person to confirm the write-off before they can be actioned, with any write-offs that are £10 or less have to be written off by another technician and any over £5,000 going to the Director of Finance & Corporate services. Write-offs cannot be actioned unless there is a counter-signature, even for debt write-offs that are £10 or less thus ensuring that there is dual control towards write-offs.





AREAS OF CONCERN

We found that:

Finding	Recommendation and Management Response
<p>The one privileged user account with an approval limit (ie. has dual access) belonging to the Systems and Performance Officer for Finance is not regularly checked to determine whether any approvals of their own requisitions have been conducted. We confirmed however there had been no adverse activity by the user during the year (Finding 1 - Low).</p>	<p><u>Recommendation:</u> Management should run a quarterly report to check what approvals have been conducted by the Systems and Performance Officer for Finance. This should be reviewed by the Service Manager Financial Services.</p> <p><u>Management Response:</u> Agreed-Report set up during the audit testing process and so in place ready to start at the end of qtr1 2024-25.</p> <p><u>Target Date:</u> 31/07/2024</p>
<p>Changes to customer data within the E-Financials system are not subject to a system report of amendments, although any amendments are required to be confirmed by a second member of staff and manual monthly checks of amendments are performed (Finding 2 - Low).</p>	<p><u>Recommendation:</u> Management should conduct a monthly check of all changes relating to changes in customer bank details on the E-Financials system, focussing on those which have been amended. Should this not be possible, a quarterly check should be conducted to identify any irregular changes to customer details.</p> <p><u>Management Response:</u> Agreed that whilst we do currently double check those changes saved within the new supplier/customer amendments folder that we will also run the full audit report relating to bank detail changes for suppliers at least quarterly.</p> <p><u>Target Date:</u> 31/07/2024</p>
<p>Although a user access review is required to be conducted on an annual basis to confirm approval limits, this has not been conducted yet for the 2023/24 financial year. A review had been conducted for 2022/23/ (Finding 3 - Low).</p>	<p><u>Recommendation:</u> For approvers within E-Financials, management should conduct a review of user access and confirm that the approval limits set for each Approver user are appropriate. This review should be conducted on an annual basis.</p> <p><u>Management Response:</u> Agreed that we did not carry this out during 2023-24 due to the previous year having had structure and contract value authority changes which led to the signatories list having been reviewed and completed in March 2023.</p>

		<u>Target Date:</u> 31/07/2024
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 ADDED VALUE	<ul style="list-style-type: none">▶ Use of an IT specialist to perform this work.
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 CONCLUSION	<p>We conclude that the Council has a Substantial design of controls and effectiveness of controls for the E-Financials System Controls.</p> <p>Our review focused on controls and processes for applying and monitoring user access and changes within the system, including the management of leavers, and the write-off process.</p> <p><u>Control Design</u></p> <p>We have concluded substantial assurance over the design of the controls as there is generally a sound system of internal control designed to achieve system objectives, with a low-level exception relating to a lack of scrutiny of the one privileged account which has an authorisation limit.</p> <p><u>Control Effectiveness</u></p> <p>We have concluded substantial assurance over the effectiveness of the controls as we raised only low findings, relating to the lack of review of activity on the dual access role and customer changes during the financial year.</p>
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SECTOR UPDATE

Our monthly Local Government briefing summarises recent publications and emerging issues relevant to local authorities that may be of interest to your organisation. It is intended to provide a snapshot of current issues for senior managers, non-executive directors and governors.

ARE WE IN THE AGE OF THE LATCO?

NORSE GROUP CHIEF EXECUTIVE JUSTIN GALLIFORD BELIEVES THAT A TRADING COMPANY OFFERS THE BEST OF ALL WORLDS.

Almost one in five council leaders and chief executives in England surveyed by the Local Government Association think that across the country, councils are struggling to maintain services in the face of relentless cost increases, skills shortages and rising demand on services. There have been several reports in the media about the financial pressures faced by local authorities and it seems to me that a lack of certainty in an election year only adds to the challenge.

It is perhaps no surprise that there is increasing interest in local authority trading companies. They can give councils all the benefits of insourcing: control over services; direct employment of staff, in a more commercial environment; and they are popular - poll after poll has shown that residents prefer frontline services to be provided by their council rather than the private sector.

Crucially, and unlike a traditional direct labour organisation, they also offer the opportunity to create a more commercial culture, with greater operational efficiency and the ability to trade externally and develop revenue streams. Profits are returned to council coffers rather than private shareholders, helping to close the funding gap and protect public services.

At a time of great uncertainty over the funding of services, perhaps the greatest benefit is the flexibility to bring in changes - such as reducing waste collection frequencies - without the need to renegotiate contracts, and without the penalty of variation charges. As new regulations come in, which will require changes to vehicles and service configuration, and with continuing pressure to achieve net zero, this ability to re-engineer and innovate will become even more important.

<https://www.publicfinance.co.uk/sponsored-articles/2024/03/are-we-age-latco>

FOR INFORMATION

For the Governance Scrutiny Group Members and Executive Directors

OFLOG CAN ACT AS 'BIG BROTHER' TO PEER CHALLENGE

OFLOG COULD 'STEP IN' WHEN LOCAL AUTHORITIES DO NOT ADHERE TO THE RECOMMENDATIONS OF THE LOCAL GOVERNMENT PEER CHALLENGE

The Office for Local Government (Oflog) could "step in" when councils do not adhere to corporate peer challenge recommendations, the chair of the Local Government Association's (LGA) innovation and improvement board has said.

The LGA's peer challenge involves a team of senior local government councillors and officers undertaking a review of key finance, performance and governance information. A report outlining key findings and recommendations is shared with the council, which it is required to publish alongside an action plan. However, the LGA cannot enforce any recommendations.

The LGA noted that 'most of the time' councils act on the advice received through the peer challenge but where authorities do not accept the recommendations, the LGA lack the ability to 'make people do things they do not want to do'.

The Chair of the District Councils' Network's Executive Group supported the proposal, saying, "There is absolutely a space for Oflog in terms of that coercive nature of [saying] if you don't sort it out constructively, we'll bring our big brother into the ring, who might just help persuade you because they've got a regulatory function".

Oflog can act as 'big brother' to peer challenge | Local Government Chronicle (LGC) ([lgplus.com](https://www.lgplus.com))

FOR INFORMATION

For the Governance Scrutiny Group Members and Executive Directors

LEVELLING UP PROJECTS SEE 'ASTONISHING' DELAYS

PROJECTS PAID FOR THROUGH LEVELLING UP FUNDING POTS HAVE FACED HUGE DELAYS AND THE GOVERNMENT DOES NOT PLAN TO EVALUATE THEIR LONG-TERM SUCCESS, DESPITE THE FACT IT WAS SUPPOSED TO BE A FLAGSHIP POLICY, MPS HAVE SAID.

The Public Accounts Committee found that, as of December 2023, only £3.7bn of the £10.5bn supposed to be spent by 2025-26 had been given to councils and less than half of this (£1.2bn) had actually been spent. The Department for Levelling Up, Housing and Communities told the committee that delays have arisen because of Covid-19 disruptions and higher-than-expected inflation.

However, the committee said potentially more impactful projects lost out to 'shovel-ready' alternatives - and even these have not been delivered. "The levels of delay that our report finds in one of [the] government's flagship policy platforms is absolutely astonishing," said PAC chair Dame Meg Hillier. "The vast majority of levelling up projects that were successful in early rounds of funding are now being delivered late, with further delays likely baked in. DLUHC appears to have been blinded by optimism in funding projects that were clearly anything but 'shovel-ready', at the expense of projects that could have made a real difference".





The committee also expressed concern over transparency, with rules changing while bids were being assessed (changes that councils were not told about in advance), meaning 55 councils wasted much-needed public resources on making bids that stood no chance of winning funding in that round. In its report, the PAC said DLUHC is "playing catch up" in its evaluation efforts, and MPs said they are worried that the evaluation will not cover the long term.

<https://www.publicfinance.co.uk/news/2024/03/levelling-projects-see-astonishing-delays>

FOR INFORMATION





For the Governance Scrutiny Group Members 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 Scrutiny Group meetings, pre-meetings, individual audit meetings and contract reviews have been attended by either the Partner or Audit Manager. Additionally scoping and closing meetings were attended by the Audit Manager.	
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.	
Quality of Work	We have received four survey responses for audits completed in 2023-24 with an average score of 4.5/5 for the overall audit experience. We also received an average score of 4.5/5 for the added value from our reports and the constructiveness of our recommendations. We continue to send out feedback surveys when issuing our final reports.	
Completion of audit plan	We have completed the full audit plan for 2023-24 plus advisory work on the Fraud Report. We were flexible throughout the year, using contingency days to complete a review of Grant Management Controls at short notice to provide assurance to the Director of Finance and Corporate Resources over controls in place to administer the LAD3 grants ahead of their submission to the Midlands Net Zero Hub in December 2023.	

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.

OFFICIAL

FOR MORE INFORMATION:

GURPREET DULAY

Gurpreet.Dulay@bdo.co.uk

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