

The background of the entire page is a dense field of white umbrellas, viewed from above. The umbrellas are arranged in a somewhat regular pattern, creating a textured, geometric pattern. In the lower-middle section, one umbrella is a vibrant red, standing out prominently from the sea of white.

INTERNAL AUDIT PROGRESS REPORT

Rushcliffe Borough Council

September 2024

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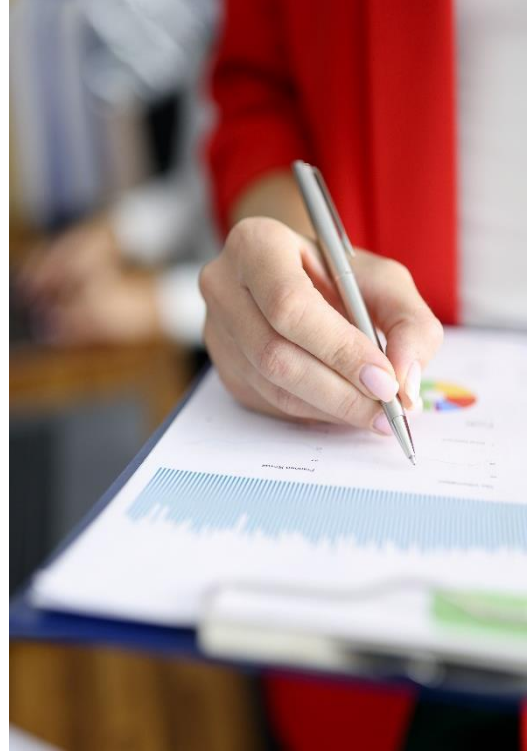
SUMMARY OF SEPTEMBER 2024 WORK

INTERNAL AUDIT

This report is intended to inform the Governance Scrutiny Group about the 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.



SEPTEMBER 2024 INTERNAL AUDIT PLAN

We are making good progress in the delivery of the September 2024 audit plan and are pleased to present the following reports to this Audit Committee meeting:

- ▶ Budgetary Control
- ▶ Main Financial Systems
- ▶ Workforce and Succession Planning
- ▶ Fraud Risk Assessment - Advisory Review

We are at reporting stage for the Cyber Security audit however this will be brought to the next Governance Scrutiny Group in November.

Planning is underway in respect of the following audits:

- ▶ Environment - Carbon Management Action Plan
- ▶ Equity, Diversity and Inclusion (EDI).

We anticipate presenting these reports at future Audit Committee meetings.

CHANGES TO THE SEPTEMBER 2024 INTERNAL AUDIT PLAN

There have been no changes to the Internal Audit Plan.

REVIEW OF SEPTEMBER 2024 WORK

AUDIT	EXEC LEAD	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Budgetary Control	Head of Financial Services	September 2024	✓	✓	✓	S	S
Main Financial Systems	Head of Financial Services	September 2024	✓	✓	✓	S	M
Fraud Report	Head of Financial Services	September 2024	✓	✓	✓	N/A	N/A
Workforce and Succession Planning	Head of Financial Services	September 2024	✓	✓	✓	S	S
Cyber Security	Head of Financial Services	September 2024	✓	✓	✓		
Equality/Equity, Diversity and Inclusion (EDI)	Head of Financial Services	November 2024	✓				
Procurement	Head of Financial Services	February 2025					
Disabled Facilities Grant (DFG)	Head of Financial Services	February 2025					
Environment - Carbon Management Action Plan	Head of Financial Services	November 2024	✓				

BUDGETARY CONTROL

CRR REFERENCE: 12 - INADEQUATE CAPITAL RESOURCES, 13 - FEE INCOME VOLATILITY, 27 - INCREASES IN INTEREST RATES WHICH POTENTIALLY INCREASES THE BURDEN, IF THE COUNCIL HAS TO BORROW

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



SCOPE

AREAS REVIEWED

We reviewed:

- ▶ The budget consultation and approval process and assessed whether it was robust and includes involvement of key stakeholders and evidence all budget holders had oversight of their budget prior to the implementation of the budget
- ▶ The Budget reports presented to Cabinet in respect of the Council’s revenue budget and determined whether they were consistent and clearly outlined the Council’s financial position and explained the reasons for any significant variances, where they occurred
- ▶ Relevant documentation, including budgetary control policies, procedures, and guidelines, this was predominately included within the Financial Regulations and Standing Orders
- ▶ Interviewed key personnel involved in the budget setting, management, and oversight processes, including five budget holders and five service leads
- ▶ Evaluated the robustness of the budget setting process, including the use of historical data, forecasting techniques, and stakeholder engagement
- ▶ Assessed the effectiveness of budget monitoring and reporting mechanisms, including the frequency, and accuracy of reports
- ▶ A sample of three budgets to assess the accuracy of budget setting, monitoring, and variance analysis
- ▶ Evaluated the governance structures and oversight mechanisms in place to ensure effective challenge and scrutiny of budgetary performance
- ▶ Assessed the clarity of roles and responsibilities related to budget management and the level of accountability and ownership at various levels
- ▶ Reviewed the adequacy of support and regularity of training provided to budget holders
- ▶ Minutes of management and Council meetings to assess the adequacy of scrutiny of budget performance
- ▶ Compared the Council's budget management reporting practices with those of other local authorities to identify potential areas for improvement.



AREAS OF STRENGTH

We identified the following areas of good practice:


- ▶ The budget consultation process involves input from all key stakeholders such as budget holders and service leads within budget challenge meetings and from Council members in budget sessions Budget Challenge meetings are held between Directors, Heads of Service, budget holders, and Finance team members in order to determine what the budget should be.
- ▶ The Council’s budget was approved appropriately at the February 2024 Cabinet meeting followed by Council on 7 March 2024.

- ▶ From interviews with five Budget Holders and five Heads of Service, we confirmed that the opportunity for them to take part in budget challenge meetings had been provided, and all roles and responsibilities as a budget holder made clear to them.
- ▶ Quarterly budget reports provided to Cabinet are consistent and clearly outline the financial position for each of the four main budget areas. The reports breakdown any specific higher risk variances and the reasons for these. The budget is discussed in detail at each of the meetings.
- ▶ From interviews with five Budget Holders and five Heads of Service, we confirmed that the opportunity for them to take part in budget challenge meetings had been provided, and all roles and responsibilities as a budget holder made clear to them.
- ▶ Quarterly budget reports provided to Cabinet are consistent and clearly outline the financial position for each of the four main budget areas. The reports breakdown any specific higher risk variances and the reasons for these. The budget is discussed in detail at each of the meetings.
- ▶ The frequency of budget monitoring reports to management is effective as it includes monthly meetings to Performance Clinic (attended by Heads of Service) and quarterly reports to both the Corporate Overview Group and Cabinet. The accuracy of reporting was tested by tracing the data from Performance Clinic reports to Cabinet reports to ensure they are consistent. We found data to be accurate with only minor variances noted due to depreciation (which is reported at Cabinet level but not Performance Clinic as is out of operational control) and some minor cost code adjustments.
- ▶ The governance structure in place is strong as it includes scrutiny of budget performance at several levels including oversight of budget holders by Finance Business Partners on a monthly basis, scrutiny by Finance Business Partners in a monthly meeting with the Head of Service for Finance and monthly meetings at Performance Clinic which is attended by Finance representatives and Heads of Service. This is supported by oversight from the Corporate Overview Group and Cabinet on a quarterly basis. When compared to governance structures in other local authorities we found that the Council has similar or stronger controls to those we examined.
- ▶ All budget holders attended year end accruals and prepayment training in February 2024, this is held on an annual basis to refresh budget holders' skills. A training matrix is held which outlines the compliance for such training and records training needs analysis completed in early 2024.


AREAS OF CONCERN

Finding	Recommendation and Management Response
<p>Budget holders may benefit from further training such as short sessions on challenging areas of the role and a 'how to' guide for the finance system. (Finding 1 - Low)</p>	<p>The Council should consider the budget holder suggestions detailed in the report and consider implementing such training and guidance.</p> <p><u>Management Response</u></p> <p>The Finance team are already in the process of arranging training sessions as it was identified during our regular meetings with budget holders that this would be beneficial. We have worked in conjunction with budget holders to develop a range of topics of most interest to them and these will take the form of bite-size sessions. We have already planned to deliver finance training (if necessary) for new starters as part of the induction process. As stated, the finance system procedure notes are accessible to all staff on the intranet but will be recommunicated to staff who have access to the finance system.</p>

		Target Date: 30 October 2024
	<p>While there is a consistent baseline, there is an inconsistency in the level of detail provided across budget holders' completion of action logs and justifications for variances. (Finding 2 - Low).</p>	<p>2a. Finance Business Partners should ensure action logs are complete in their monthly meeting with budget holders.</p> <p>2b. A standard rule should be set for all budget holders that variances over a certain threshold, for example £500, must be justified, even if this is not considered a concern, to demonstrate the budget holder's awareness of the variance and that this has been investigated.</p> <p><u>Management Response</u></p> <p>2a. Action logs are completed in meetings and reviewed each month. The examples of missing dates did not affect the identification and completion of tasks and this was an isolated example. The budgets not reviewed in period 2 was due to staff sickness within Finance and also Annual Leave of Budget Holder, and decision was made to complete a full review in period 3 to ensure accurate reporting for quarter one.</p> <p>2b. Finance Business Partners use professional judgment to assess the significance of variances which will differ for each budget. Prioritisation is based on the in-depth knowledge at a granular level by both the FBP and the budget holder and for smaller budget areas the value of the variances commented upon is proportional.</p> <p>Target Date:</p> <p>2a. 30 August 2024</p> <p>2b. N/A.</p>



CONCLUSION

We conclude that the Council has a Substantial design and effectiveness of controls for its budgetary control.

Control Design

The control design is Substantial because the Council generally has a sound system of internal controls designed to achieve its system objectives with some exceptions. The governance structure ensures appropriate oversight of budget performance at several levels with regular reporting. The budget setting process ensures all key stakeholders' opinions were considered.

The Council has plans in place to enhance the training offered to budget holders by offering short training sessions on specific topics that challenge them. This has been effectively run in other departments (HR) and budget holders have input into the subjects to be covered.

Control Effectiveness


The control effectiveness is Substantial because the controls that are in place were consistently applied. Annual budget holder training was attended by all budget holders and training needs analysis has been completed. The reports provided to Performance Clinic and Cabinet were frequent, accurate and detailed to aid productive discussions.

The Observations section of this report for a summary of the Council's 2023-24 financial year outturn, as published in the July 2024 Cabinet report pack. Some substantial variances were reported at each service level, however the underspend and overspend across the main service areas offset each other and the Council's overall performance is positive.

MAIN FINANCIAL SYSTEMS

CRR REFERENCE: 8 - FAILURE TO PREVENT OR DETECT FRAUD AND CORRUPTION AND 12 - INADEQUATE CAPITAL RESOURCES

Design Opinion	S Substantial	Design Effectiveness	M Moderate
Recommendations	0	0	4




SCOPE

AREAS REVIEWED

We reviewed:

- ▶ Relevant documentation, including policies, procedures, and guidelines related to Accounts Receivables and Payroll
- ▶ A sample of new suppliers added to the system to verify that Council policy had been followed in the set up
- ▶ A sample of invoices from the listing of receivables, including some aged debt, to verify that accounts receivable processes were performed according to Council policy
- ▶ A sample of new starters, leavers and variations to pay to ensure this was accurate and had been calculated correctly for all staff
- ▶ Interviewed key personnel involved in these financial systems, including Finance, Human Resources, and Payroll staff
- ▶ Walkthroughs of the Accounts Receivables and Payroll processes to gain an understanding of the workflows and identify potential weaknesses
- ▶ A sample of payroll procedures completed by the Council, including monthly reconciliations
- ▶ Evaluated the segregation of duties and access controls within the systems to ensure appropriate levels of authorisation and prevention of unauthorised activities
- ▶ Evaluated the reporting mechanisms and management oversight of the payroll process as well as the account receivables to assess the effectiveness of monitoring and decision-making processes
- ▶ Credit note testing was not within the scope of this audit.



AREAS OF STRENGTH

We identified the following areas of good practice:

Payroll:

- ▶ As Gedling Borough Council (Gedling) processes the payroll, the Finance Team and HR at the Council have strong communication with Gedling to ensure accurate payroll processing. This includes a mid-month meeting between HR and Gedling payroll to confirm any changes to payroll in the month before the payroll is run. We confirmed these meetings happened.
- ▶ A robust process is in place to process payroll changes such as new starters, leavers or changes to salary as all changes require a form to be signed by the line manager of the individual and HR before being passed to Gedling to process. This process ensures a segregation of duties in the approval of salary changes and adding employees to the payroll. We reviewed five starters, five leavers and five changes to salary and found in all cases the appropriate form was signed and in place, the payslip change was correct and in the case of leavers their last payslip was evidenced in a timely manner from their leaving date.

- ▶ Payroll reconciliations are completed monthly between E-Fin and reports from Gedling, with a segregation of duties between the review and approver. The payroll being run by Gedling Borough Council means that there is an inbuilt oversight and segregation of duties in the payroll process.

Accounts Receivable:

- ▶ Within E-Fin an individual can either be set up as a requestor or approver apart from one user with admin access who has both. A previous audit demonstrated that no invoices/ PO were raised and approved by this individual.
- ▶ An arrears report is run monthly and issued to service leads which provides every invoice in debt, along with comments to the service lead such as recommendations to suspend services to the customer or details of the last recovery attempt. Another report is provided to the Section 151 Officer to present at Executive Management Team (EMT) meetings which highlights the highest risk debts by value and age. This provides oversight of the debt positions at both service and management levels.
- ▶ Of 15 invoices reviewed, reminders were issued correctly in 14 cases and in all cases appropriate further debt recovery was taken following the reminder stage.




AREAS OF CONCERN

Finding	Recommendation and Management Response
<p>There is no segregation of duties in raising and approving journals within E-Fin and only journals over £10,000 are reviewed. This therefore relates to postings for payroll or income which are under £10,000. However there have been no incidents of journal errors from external audit testing (Finding 1 - Low).</p>	<p>The Council should consider the most effective way to create a segregation of duties in the journal process. As the Council does not want the control cost to outweigh the risk, the segregation of duties one solution may be to apply approval procedures to manual journal entries only. This could be approval via email, as seen in other organisations. In addition, the Council should consider including manual journals under £10,000 to the monthly review of journals over £10,000.</p> <p><u>Management Response</u></p> <p>The risk from posting low value journals is minimal and if present errors would be picked up in monthly budget monitoring, therefore this recommendation is noted but will not be implemented.</p> <p>Target Date: N/A</p> <p><u>IA Comment:</u></p> <p>We acknowledge that the Council will not be implementing this recommendation.</p>
<p>While suppliers of high value transactions and those procured through frameworks are subject to due diligence, low value or low risk new suppliers are set up without credit checks, and at present there is no way to record approvals of supplier set up within the system. (Finding 2 - Low).</p>	<p>2a. The Head of Financial Services should ensure the proposed workbox within the system is implemented to create an audit trail for the segregation of duties in new supplier set up.</p>

		<p>2b. The Head of Financial Services should ensure a monthly review of all new suppliers or changes to supplier details is run and it is ensured supporting evidence is held in these cases.</p> <p>2c. The Head of Financial Services should consider implementing a threshold for invoices that can be made to a supplier without due diligence such as credit reports being run.</p> <p><u>Management Response:</u></p> <p>2a. The workbox does already exist however we will work with IT to obtain an audit trail.</p> <p>2b. The reports will be run and checked.</p> <p>2c. As most low value suppliers are only paid when goods or services have been received and suppliers engaged through a framework have already undergone due diligence, the operational and financial risk is minimal. We will continue to perform credit checks on contracts of high value.</p> <p>Target Date: 30 September 2024</p>
	<p>Four members of the HR team and three of the Finance team can change pay scales in the payroll system. As the segregation of duties control is that only staff at Gedling who process the payroll should have access to do so, we have raised this (Finding 3 - Low).</p>	<p>3a. The Council should ensure the access provided to the payroll system is corrected and they do not have the ability to change pay scales.</p> <p>3b. An annual review of access to the payroll system should be conducted to ensure access is appropriate and has been changed back to correct access levels following temporary changes for events such as elections.</p> <p><u>Management Response:</u></p> <p>The above recommendations will be followed up. However if the Council processed its own payroll, relevant staff in Finance and HR would have access to change pay scales in the system and therefore this is not deemed a significant risk. Managers are sent salary information on a monthly basis and therefore would highlight any changes that had been made to pay scales. Salary changes would be identified in budget monitoring and be picked up by Gedling in exception reporting.</p> <p>Target Date: 31 August 2024</p>


	<p>In one case, the separate review of the payroll reconciliation was not completed in a timely manner, although the reconciliation itself was completed on time (Finding 4 - Low).</p>	<p>The Council should determine the most effective way to ensure timely review of the reconciliation this may be placing responsibility on the preparer to chase the approver, adding the completion to a checklist for the approver as part of their monthly tasks or setting calendar reminders.</p> <p><u>Management Response:</u></p> <p>The completion of the payroll reconciliation and budget monitoring is the critical part of the process to identify any errors. The payroll reconciliation is on most occasions completed on time. The review of the payroll reconciliation adds a layer of assurance to the process and is ordinarily completed in a timely manner. The member of staff completing the reconciliation would also flag any errors immediately and therefore the risk of the delay in reviewing the reconciliation is minimal. Staff have been reminded to notify the reviewer when the reconciliation is ready for review.</p> <p>Target Date: 30 September 2024</p>
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 <p>CONCLUSION</p>	<p>We conclude that the Council has a Substantial design and Moderate effectiveness for its main financial systems. All our findings are low level.</p> <p><u>Control Design</u></p> <p>The control design is Substantial because the Council generally has a sound system of internal controls designed to achieve its objectives with some exceptions.</p> <p>There is no segregation of duties in the raising and approval of journals. Journals may be posted incorrectly without being identified, however they would be picked up during budget monitoring. Low value new suppliers are not subject to credit checks due to the Councils cost benefit analysis of applying such as control.</p> <p><u>Control Effectiveness</u></p> <p>The control effectiveness is Moderate as controls were consistently applied in most cases, with some exceptions identified:</p> <ul style="list-style-type: none"> ▶ Access to the payroll system is supposed to restrict Council staff from altering salary amounts, representing effective segregation of duties. However upon investigation seven staff did have the ability to do so. As this was made apparent to the Council during the course of the audit, the Council has already begun investigation to resolve this. ▶ In one case we found the review of sampled payroll reconciliations was not completed in a timely manner, however as there is a monthly reconciliation with a segregation of duties the control design is strong.
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WORKFORCE AND SUCCESSION PLANNING

CRR REFERENCE: 2 - INSUFFICIENT STAFF CAPACITY, INCLUDING SKILLS AND KNOWLEDGE

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




SCOPE

AREAS REVIEWED

We reviewed:

- ▶ Key documentation to check whether workforce and succession plans have been developed, and verified that any such plans are aligned to the People Strategy and offer a clear strategy for the learning and development opportunities for staff
- ▶ Explored whether senior and business critical roles have been identified and succession plans have been developed for these roles
- ▶ Assessed whether sufficient leadership training programmes have been developed and provided to staff that are identified as potential future leaders to ensure that they have adequate support to progress into these roles, in line with the succession plan
- ▶ Ascertained whether a review or assessment of the skills base has been conducted to identify service areas where there may be skills gaps and training has been provided to staff to deliver their roles and ensure that the workforce is fit for future requirements
- ▶ Assessed whether high performing or talented staff have been identified through the appraisals process or by other means
- ▶ Assessed whether learning and development programmes are in place and provided to high performing or business critical roles to promote staff retention and career progression.




AREAS OF STRENGTH

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

- ▶ The Council has a Succession Planning Framework in place which refers to the Chartered Institute of Personnel and Development (CIPD) and outlines the process and values of the Council. The steps are: 1. Strategic Alignment to Council goals; 2. How the Council is identifying leadership, critical and 'at risk' roles and 3. How the Council is identifying internal successors and the steps necessary to support and prepare them as well as checking that such individuals have willing for the roles. This aligns with guidance from bodies such as, for example, the Local Government Association (LGA).
- ▶ Supporting the Framework, we also obtained:
 - A 'Strategic Alignment' document which details actions required and is used to monitor progress on those actions
 - A succession planning document which contained a summary sheet detailing all leadership and other critical roles
 - Records of attendance on leadership and other trainings across Council staff.
- ▶ There is a Learning and Development Policy in place. The Council is proactive and supportive of staff wanting to undertake leadership training courses from the Institute of Leadership and Management (ILM). A Management Development record is in place which documents all managers and above and who have completed the


various ILM levels and whether they are potential successors for other senior roles, indicating joined up thinking between succession planning and training development.

- ▶ All staff are encouraged to access relevant training and lots of training opportunities are advertised via Staff Matters, where all staff are encouraged to apply, demonstrating an open and objective process. There are two training budgets at the Council: corporate training and departmental level budgets. For 2023/24 the corporate training budget was £57,200 and of this £43,193 was spent. Departmental training budgets vary and are decided during the annual budget reviews of each department by the finance department.
- ▶ The HR team maintains a log of all required training by reviewing all performance development reviews (PDRs) and having quarterly meetings with service managers to discuss staff performance. This helps identify good performers and any development needs required. We obtained the Management Development records and Corporate Training Plans which detail the individuals that have been put forward for or completed different training courses and how this cross-referenced to succession planning. Although, this could be formalised by aligning the PDR process to identifying high performers (see Finding 2).
- ▶ The Council has an EDI Steering Group which is attended by HR staff and initiatives regarding inclusivity in the workforce, such as support for specific demographics are regularly undertaken, for example support women during the menopause and for those struggling with mental health issues.

 AREAS OF CONCERN	Finding	Recommendation and Management Response
	<p>While the Council has workforce and succession plans in place, we did not obtain detailed analysis of the current workforce and service demand, along with an analysis of forecast demand and future workforce requirements for services. We also observed some areas for improvement when benchmarking to the Chartered Institute for Personnel and Development (CIPD) guidance (Finding 1 - Low).</p> <p>It should be noted that no other local authorities we have worked with have produced this type of demand analysis, therefore the Council is not alone in this regard.</p>	<p>1a. The Strategic HR Manager should produce a breakdown of the workforce by department, location and role. The Strategic HR Manager should work with each Director/Service Manager to produce a current workforce analysis for their service (age, gender, tenure and diversity statistics) along with a skills inventory of current skills and competencies.</p> <p>HR/Service Managers should then also identify future workforce requirements based on forecast changes to demand as a result of upcoming legislation and technological advances, using PESTLE/SWOT analyses. Once that is complete, a documented skills gap analysis could be produced. This can feed into current workforce and succession planning work and be discussed by EMT. Any progress with the AI Strategy should be aligned to this work.</p> <p>1b. The current succession plan document should be updated with the information relating to the four roles identified.</p> <p>1c. The HR team should continue to produce specific development plans for individuals identified as successors. These plans should include the opportunity to 'act up'. Where relevant, additional potential</p>


		<p>successors should also be identified for the critical roles and plans developed for them too.</p> <p>1d. The HR team should continue to produce specific development plans for individuals identified as successors. These plans should include the opportunity to ‘act up’. Where relevant, additional potential successors should also be identified for the critical roles and plans developed for them too.</p> <p>Management Response:</p> <p>1a. During the discussions with Directors and Service Managers we did look at forward thinking and how legislation or technology could impact the Council, a summary of these discussions is within the Succession Planning - Strategic Alignment document. This details where we have concern i.e. gaps in knowledge, experience or staffing levels and what action we could take. This was risk rated and a review date added. This has been seen by EMT and could be used to facilitate the conversations with the wider ELT. We don’t currently have a skills inventory detailing workforce analysis and agree that we can look at this option, discuss with EMT and determine if this would be useful.</p> <p>1b. Agreed</p> <p>1c. We have identified critical roles within the Council where it is important that we have someone in post that regularly has the ability to ‘act up’. We therefore now have a Deputy Section 151 Officer and a Deputy Monitoring Officer in post. HR will continue to produce development plans alongside the managers and highlight areas where they can ‘act up’ to gain experience.</p> <p>Target Date: 31 March 2025</p>
	<p>There is a potential risk that high performers are not identified through the current appraisal process, due to the lack of a scoring mechanism and/or requirement for managers to record an overall assessment of the performance of the staff member against specific criteria, which might make it more difficult to identify rising stars and/or to do this consistently and in an unbiased manner. Completion rate of Personal Development Reviews (PDRs)</p>	<p>a. The HR team should develop a Competencies Framework (the Framework) that describes the skills and requirements for each grade. This should be made available to staff and managers should reflect on the Framework when completing the PDRs.</p> <p>b. ELT should consider whether the PDR form should include a conclusion from the line manager on how well the individual has performed throughout</p>

	<p>was 60% at the time of audit. This had been identified by the Council and work is underway to change the time of year of the PDRs for specific service areas to enable better completion rates. (Finding 1 - Low).</p>	<p>the year. At a minimum, line managers should be encouraged to communicate to the HR team at the end of the appraisals process for their teams anyone they have identified as high performers. The HR team should then review the list of names submitted by managers on an annual basis against the workforce and succession plans to join up thinking across the organisation.</p> <p><u>Management Response</u></p> <p>2a. Some job roles do have Competency frameworks attached to them. These are in place where an employee has to meet a certain requirement in order to progress up the pay scale. These competency frameworks are shared with the relevant staff. We also have Job Family documentation that shows what skills and experience is required for different pay scales. The Job Family documentation is not shared widely with all employees but development of an employee version will be explored.</p> <p>2b. This is completed informally at the moment. As a small local authority we feel that we are aware of who is doing well. We commit to reviewing the current PDR form to determine how we could capture this information more formally.</p> <p>Target Date: 31 March 2025</p>
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ADDED VALUE

- ▶ We benchmarked the Council’s Succession Framework and supporting documents to CIPD’s guidance and those of other similar public bodies.
- ▶ We provided some resources that the Council may find useful to support its workforce planning and management.



CONCLUSION

Overall, workforce and succession planning are well managed by the Council.

Control Design

- ▶ We have concluded a Substantial opinion on the design of controls, as the Council has controls in place to ensure regular dialogue between HR and departments, and has developed a workforce and succession plan strategy. The plans could be enhanced by additional work such as producing an analysis of current demand, staff productivity and forecasting how this may change in the short, medium and long term. We note however that this is a common finding in our audits of other local authorities. In addition, we found that development plans for key individuals who have been ear-marked as potential successors were not always formally documented.

Control Effectiveness

- ▶ We conclude the effectiveness of controls at the Council is Substantial because the Council has identified its critical and key roles and has succession plans in place for these roles, which cannot be said for other organisations that we benchmarked the Council against and therefore is performing above average with respect of this risk area.

- ▶ We recognise that there is no one-size-fits-all method for workforce and succession planning, and the fact that the Council currently enjoys high retention rates, high levels of job satisfaction and limited long-term vacancies. This has led us to conclude Substantial assurance with regard to control effectiveness.

FRAUD REPORT - FRAUD RISK ASSESSMENT

CRR REFERENCE: 8 - FAILURE TO IDENTIFY FRAUD AND CORRUPTION



SCOPE

BACKGROUND

We completed the Council's Annual Fraud Report, which was brought to the Governance Scrutiny Group in May 2024, where it was reported that the Council had BDO's Counter-Fraud team to complete a secondary element to this report: an advisory review on the Fraud Risk Assessment (FRA) that the Council has produced.

This is an overview of that work, however due to the nature of the work, the substance of the report will be reported as an exempt item.

AREAS REVIEWED

The BDO Counter Fraud team were asked to undertake a limited review of this and provide comments as part of this fraud report. Its scope was agreed as follows:

- a) Obtain an understanding of the approach used to prepare and document the FRA;
- b) Comment on the approach with reference to good practice, which in this instance is the methodology outlined under the GCFP Functional Standard for Counter Fraud (013)

Comment on any clear gaps we see, if any, in relation to service areas/types of fraud risk and flag these as areas the Council may wish to consider and confirm if relevant to them

- c) Provide high-level commentary about the completeness of the controls as documented, limited to considering whether the level of detail is sufficient and whether all types of fraud controls appear to have been considered; and
- d) Use three selected focus areas (contract management, procurement, and development) to provide more detailed commentary by way of examples to illustrate any points covered in a) to d) above.



ADVISORY REVIEW - KEY POINTS

Methodology and Approach Employed by the Council

The BDO Counter Fraud team considered the approach taken by the Council against the principles of good practice guidance from the GCFP and raised a number of points relating to the starting point of the FRA with regard to identifying fraud risks; the audit trail; the risk scoring methodology and the level of detail regarding controls.

Completeness of the FRA

As highlighted in the limitations applying to our scope of work, the team did not undertake a full operational fraud risk assessment, and its review has been undertaken based only on the information as documented within the FRA. The extent to which the FRA is documented and the way in which certain risk areas are grouped, as well as the level of detail with which individual controls are described, means that it is difficult to readily identify red flags of potential gaps within the FRA. The team provided the Council with three high level points in this regard.



CONCLUSION

In summary, the BDO Counter Fraud team has provided feedback to the Council on how the FRA process could be strengthened in several areas. The fact that the Council has taken steps to better understand its fraud risks is positive since this is an area where local government organisations are often behind the curve in comparison to other areas of the public sector, in part due to the absence of a mandated counter fraud regime. This is also in the context of increasing tighter resources and managers having even more work pressures.

We would encourage the Council to revisit the FRA with our feedback in mind and build on the work already undertaken.

SECTOR UPDATE

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

THE INTERNAL AUDIT AND RISK AGENDA

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

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

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

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

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

Article attached.

FOR INFORMATION

For Members of the Governance Scrutiny Group and Executive Management.

INTERNAL AUDIT AND RISK AGENDA SPOTLIGHT ON

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

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

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

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

Internal Audit & Risk Agenda Spotlight On: Culture ([youtube.com](https://www.youtube.com))

FOR INFORMATION

For Members of the Governance Scrutiny Group and Executive Management.

TRANSFORMING PUBLIC PROCUREMENT - INTRODUCING THE PROCURMENT ACT

One in every three pounds of public money, some £300bn a year, is spent on public procurement.

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

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

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

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

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

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

FOR INFORMATION

For Members of the Governance Scrutiny Group and Executive Management.

THE NEW WORKER PROTECTION ACT & SEXUAL HARASSMENT IN THE WORKPLACE

We explore the introduction of the Worker Protection Act 2023; outlining what the Act is, the intended impact, implications for employers and reasonable steps to addressing the compliance requirements. We also explore how employers can go beyond compliance to create a psychologically safe and ethical working environment for their people.

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

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

At this time, it isn't clear what these "reasonable steps" will look like. However, as the guidance will introduce a mandate and onus for organisations to define and embed ethical preventative measures into





their workplaces to prevent sexual harassment, it will require the urgent proactive assessment of processes, policies and working practices for many UK employers against the new requirements.

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

FOR INFORMATION





For Members of the Governance Scrutiny Group and Executive Management.

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.	
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 not received any further survey results since our last report in May 2024 where we 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.	
DELIVERY	KPI	RAG RATING
Completion of audit plan	We are halfway through the 2024-25 Internal Audit Plan, representing significant progress and likelihood of full completion of the plan by March 2025.	

APPENDIX I

OPINION SIGNIFICANCE DEFINITION

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

RECOMMENDATION SIGNIFICANCE DEFINITION

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

FOR MORE INFORMATION

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The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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