

Rushcliffe Borough Council
Internal Audit Progress Report
February 2026



Summary of 2025/26 work

Internal Audit

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

Internal audit methodology

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



Internal audit plan 2025/26

We are making good progress in the delivery of the audit plan with all audit reviews either finalised or in the fieldwork phase, with fieldwork expected to be completed by the end of March 2026.

We are pleased to present the following reports to this Governance and Scrutiny Committee meeting:

- ▶ Asset Management and Investment
- ▶ Rushcliffe Oaks Crematorium - Operational Management.

Fieldwork is in progress in respect of the following audits:

- ▶ Procurement
- ▶ Health and Safety.

We anticipate presenting these reports at the next Governance Scrutiny Group meeting with our annual report.

Review of 2025/26 work

AUDIT	GOVERNANCE SCRUTINY GROUP	PLANNING	FIELDWORK	REPORTING	DESIGN	EFFECTIVENESS
Fraud Report	June 2025	✓	✓	✓		Advisory Report
Council Tax and NNDR	September 2025	✓	✓	✓	S	S
Streetwise Management	September 2025	✓	✓	✓	M	S
Main Financial Systems	December 2025	✓	✓	✓	M	S
Business Continuity and Emergency Planning	December 2025	✓	✓	✓	S	S
Asset Management and Investment	February 2026	✓	✓	✓	S	S
Rushcliffe Oaks Crematorium - Operational Management	February 2026	✓	✓	✓	S	S
Procurement	June 2026	✓	✓			
Health and Safety	June 2026	✓	✓			

Asset Management and Investment

CRR REFERENCE: DEG02

Design Opinion		Substantial	Effectiveness Opinion		Substantial
Recommendations	 0	 0	 1		

 SCOPE	<p>Areas reviewed</p> <p>The following areas were reviewed as part of the scope of this audit:</p> <p><u>Governance arrangements for commercial and operational asset reviews</u></p> <ul style="list-style-type: none"> ▶ Oversight of commercial and operation asset reviews by the Executive Management Team (EMT), AIS Group and Cabinet to assess whether the roles, responsibilities and oversight expectations were understood and operated effectively. This included a review of the AMS/AMP for 2020-2025 and the Acquisition and Disposal Policy to assess whether these were documented. ▶ Processes for performing commercial and operational asset reviews, including the use of a numeric scoring model (commercial) and RAG categorisation (operational). We assessed whether the criteria applied to assets were consistent, evidenced and subject to appropriate challenge. <p><u>Identification and management of assets considered ‘at-risk’</u></p> <ul style="list-style-type: none"> ▶ The Council’s approach to identifying at-risk assets by reviewing the commercial asset scoring methodology and the operational RAG review model. We assessed the consistency of the application of factors contributing to these assessments, ie Energy Performance Certificate (EPC) changes, statutory risks, property condition, tenant covenant strength and redevelopment potential. ▶ Oversight of the risk scores and management of at-risk assets through the Council’s governance structures. <p><u>Policies and procedures governing acquisitions and disposals of land and buildings</u></p> <ul style="list-style-type: none"> ▶ The Council’s Acquisition and Disposal Policy to assess whether it clearly defined processes for identifying surplus assets, appraising acquisition/disposal options, setting authorisation thresholds and complying with legal requirements including Section 123 of the Local Government Act 1972. ▶ Whether roles, delegations and approval routes (officer delegations, AIS Group challenge, and Cabinet approval) were consistently applied and aligned to the Asset Management Strategy and Asset Investment Strategy. ▶ Performed sample testing on the acquisition of land at Upper Broughton in October 2025 to assess whether the process followed complied with the requirements of the Acquisitions and Disposals Policy. This included the approvals, due diligence, valuations, scrutiny and challenges, etc. This was the only notable asset acquisition in the period reviewed. <p><u>Processes for developing and updating the AMS and AMP</u></p> <ul style="list-style-type: none"> ▶ Interviewed members of the Property Team to understand the arrangements for the refresh of the AMS/AMP (which is currently being undertaken), including the update of the AMAP, to incorporate statutory compliance requirements and the consideration of local government reorganisation on the management of the Council’s assets. <p><u>Testing of lease agreements and review reviews</u></p> <ul style="list-style-type: none"> ▶ Ten investment property leases (six-to-ten-year terms, with three-year review cycles) between 2019 and 2025 to assess whether:

- Leases agreements were signed by both parties and retained by the Council
 - Rent reviews completed in accordance with terms of the lease agreement
 - Finance Instruction Sheets had been prepared and aligned to the terms of the agreement for invoicing and billing
 - Information in the E-Financials system aligned with the terms of the agreement.
 - ▶ Whether adequate processes were in place to monitor the investment property portfolio, including scheduling rent reviews in accordance with the lease agreements.
- Accuracy of rental income billing for investment properties
- ▶ For the same properties outlined above, we confirmed that the most recent invoice raised to the tenant was accurate per the charging conditions set out in the lease agreement or a subsequent rent review.



AREAS OF STRENGTH

We identified the following areas of good practice:

Governance arrangements for commercial and operational asset reviews

- ▶ The Council has a clearly defined governance framework for asset decision-making, with oversight by EMT, the AIS Group and Cabinet.
- ▶ Asset reviews (commercial and operational) followed documented methodologies which were consistently applied to all asset types to assess the risk level. Commercial properties are evaluated using a scoring methodology between one and ten, accounting for a range of factors such as statutory requirements, EPC ratings, condition of the property, the strength of tenant covenants and risks relating to re-letting. Operational assets are given a RAG rating to reflect the suitability of the asset to the service being provided and the future potential use of the asset.
- ▶ The Council obtain specialist external advice when performing risk assessments for variables where knowledge or skills are not held by staff in-house, ie Bridgford Energy Consultants advise on EPC modelling.
- ▶ Based on our review of papers and minutes for the AIS Group and Cabinet, we noted that there was reasonable scrutiny of asset assessments, redevelopment proposals and high-risk sites, such as Walkers Yard and Rugby Road Tip.

Policies and procedures governing acquisitions and disposals of land and buildings

- ▶ The Acquisitions and Disposals Policy provide a robust framework for the acquisition or disposal of Council-owned assets. The process that must be followed, including due diligence and approvals for acquisitions or disposals, is set out in detail.
- ▶ The acquisition of the land at Upper Broughton complied with the terms of the Acquisitions and Disposals Policy. The Council commissioned an external valuation of the land from independent experts, which was presented with the business case to the AIS Group for consideration and then Cabinet for approval. This aligned with the Scheme of Delegations. Surveys were commissioned on the land as part of the Council's due diligence checks and legal documentation was completed and retained.
- ▶ Documentation relating to this acquisition was subject to adequate document control procedures, with sequential titling of each document to ensure that a clear audit trail was retained.

Processes for developing and updating the AMS and AMP

- ▶ There is a timetable in place for the refresh of the AMS and AMP, identifying the chronology of each step of the process. Furthermore, decision-making about the use and retention of assets considered the impact of local government reorganisation and other statutory standards (ie carbon management and condition of assets). Some of these requirements are also incorporated into the existing AMAP.

Testing of lease agreements and review reviews

- ▶ All investment properties are recorded on the Commercial Property Schedule which is well-structured. There are fields in the document to show the length of the lease, rent review dates, EPC ratings, lease expiry dates and property risk ratings. Each property is colour-coded to visibly indicate whether the property is due a rent review

or whether these are overdue to enable workloads to be prioritised for staff. This documentation was maintained by staff, allowing for reasonable control of investment property leases.

- ▶ There was monthly (and occasionally more regular) meeting between the Finance Team and the Property Team to review rental property income. While these were informal, this forum provided an opportunity to check the accuracy of billing and to monitor income budgets.
- ▶ The Finance Team maintain an Asset Register, using the details provided by the Property Team on the Finance Instruction Sheet. These allow for commercial properties to be recorded on the general ledger at the correct value and maintains a listing of all assets owned.

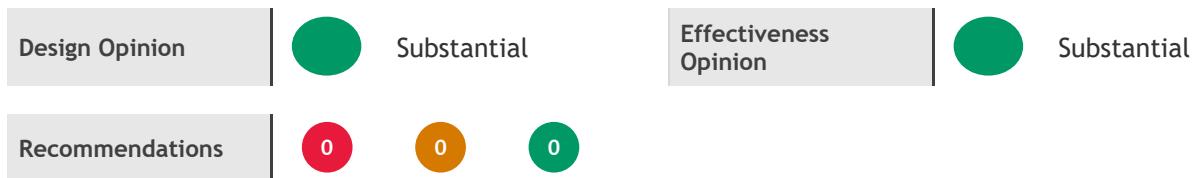


AREAS OF CONCERN

- ▶ Most of the commercial property leases tested had expired, with the tenant continuing to occupy the property on the existing lease terms. This was caused by resources limitations for the Legal Team. A failure to renew leases causes delays in collecting rent increases, which are backdated once the new lease has been executed (**Finding 1 - Low**).

Rushcliffe Oaks Crematorium - Operational Management

CRR REFERENCE: DEG03



SCOPE

Areas reviewed

The following areas were covered as part of this review:

Policies and Procedures

- ▶ Policies and procedures implemented by the crematorium to ascertain if there was clear guidance for staff to comply with statutory legislation for cremations.

Administrative Compliance

- ▶ We performed a walkthrough of the process for submitting and authorising an application for a cremation to assess whether this was clear, well-documented, and demonstrated compliance with the regulations.
- ▶ For a sample of 20 cremations, we performed the following verification checks:
 - A Form Cremation 1/2/3 had been completed in full, with the relevant details included in all six parts of the form, which had been signed by the applicant
 - A Form Cremation 10/12/13 had been completed in full and signed by a medical referee before a cremation
 - A Certificate for Burial or Cremation had been received prior to the cremation
 - Verified that the details of the cremation were retained on the permanent register of cremations
 - The ashes had been treated and disposed in accordance with the applicant's instructions on the Form Cremation 1/2/3
 - Documentation was retained on Plot Box.
- ▶ For a sample of deaths that were subject to a coroner's review, we verified that the Form 6 had been completed in full and signed by the coroner before the deceased person was cremated.
- ▶ For a sample of cremations certified by a Form Cremation 8 or 9, we verified that the form had been completed in full and signed by a registered medical practitioner or registered midwife (for Form 9 only) before the authority to cremate was given.
- ▶ We verified that a permanent register is retained by the Council for all cremations at the crematorium. We also confirmed that the information held complies with the requirements in Clause 33 of Part 7 of The Cremation (England and Wales) Regulations 2008.

Identity and Verification Checks

- ▶ We performed a walkthrough of the procedures and documentation of identity checks when the deceased has been received prior to cremation, to ascertain whether these help to prevent identity errors. This included whether ashes were stored correctly and that the identity of the deceased can be identified.
- ▶ For the same sample of 20 cremations as above, we confirmed that appropriate identity checks were performed and documented.



AREAS OF STRENGTH

We identified the following areas of good practice:

Policies and Procedures

- ▶ The crematorium maintains a publicly accessible policy, available on its website, which clearly defines the duties of the crematorium in safeguarding the wishes of the applicant. It also sets out the expectations placed on applicants, detailing the essential information and documentation they must provide before a cremation can take place.
- ▶ The crematorium has established a comprehensive set of written procedure notes that guide all staff members involved in the cremation process. These procedures are designed to ensure full adherence to the Cremation Regulations and to maintain consistent practices across the organisation.

Administrative Compliance

- ▶ In alignment with Clauses 14 to 20 of Part 4 of the Cremation Regulations, from a sample of 20 cremations, we confirmed that:
 - The Form 1/2/3 had been completed depending on the type of cremation that was being performed.
 - For the five cremations that required approval by a coroner, a Form 6 had been completed and signed by the coroner.
 - There were only two still birth cremations between 1 October 2024 to 30 September 2025. We tested one of these cremations in our sample and confirmed that a Form 9 had been completed and signed by the Registered Midwife.
 - There had been no cremations of body parts in the period reviewed, therefore we were unable to test the process for the Form 8.
- ▶ As required by Clauses 23 to 26 of Part 4 of the Cremation Regulations, a Medical Referee Form (Form 10, 11 or 12) was signed by a medical referee prior to the cremation in all 20 samples tested.
- ▶ In all 20 cases tested, the Certificate for Cremation was prepared before the cremation and finalised once the cremation had been completed.
- ▶ Documentation was retained on the PlotBox system to provide a record of compliance with the statutory legislation. The Government issued forms were used in all cases tested.
- ▶ In accordance with Clause 33 of Part 7 of the Cremation Regulations, the Crematorium Team maintain a permanent register for all cremations. This is retained electronically on PlotBox. For each of the cremations tested, we confirmed that the record on PlotBox was accurate and agreed with the information on the relevant form.



CONCLUSION

We conclude that the Council has a Substantial design and effectiveness in place for the administration of cremations, with no findings raised in this review. The audit focused on statutory compliance with changes in legislation (in September 2024) which introduced strict new requirements for cremations to comply with before and after cremating a deceased person. However, to be clear, our review was limited to the cremation administration processes, including the completion and retention of statutory forms, so should not be used to provide assurance over other areas of operational management for the crematorium. We have previously conducted a review of the crematorium in 2023/24 which assessed processes for charging and collecting income and financial performance reporting. Substantial assurance was provided for the design and effectiveness of controls in that review too.

Control Design

The controls design was Substantial because there is a sound system of internal control designed to achieve system objectives.

There were clear and robust policies and procedures in place for the crematorium administration which adhered to the new legislative requirements. Guidance provided

to staff and publicly available policies further confirm that the Council has taken appropriate measures to design balanced and compliant controls.

Furthermore, PlotBox provided an effective system for retaining cremation documentation to ensure that the crematorium can demonstrate compliance with the legislation. The legislation is prescriptive in terms of the forms that must be used, therefore, there are limited ways in which the Council can set the controls.

Control Effectiveness

The control effectiveness was Substantial because the controls that are in place are being consistently applied. This was a critical part of our review; to verify that the crematorium had complied with the statutory requirements.

Our review of cremation records, certificates and the permanent register confirmed the correct forms were used in the correct order for each type of death. Furthermore, the relevant medical signatures were obtained prior to a cremation taking place.

We have raised an Observation about the absence of formal and documented identity checks upon the receipt of the coffin from the funeral directors. Although, we understand that the funeral attendant does verify the cremation card on the coffin before accepting the deceased. Formal checks are performed after the service and before the cremation takes place, therefore, we do not feel this merits a formal finding. In particular, due to the sensitivity of the situation, we understand the rationale for minimal administration at that part of the process.

Sector update

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

MAYORS PAY RISE AND NEW ALLOCATES PROPOSED FOR EAST MILDANDS AUTHORITY

The Mayor of the East Midlands Combined Authority is set to receive a pay rise under proposals due to be considered by the authority's board later this month.

The East Midlands Combined County Authority (EMCA) is considering a proposal to increase the Mayor's pay and introduce a new allowances framework. The authority's board will review recommendations from an Independent Remuneration Panel, which was established to assess allowances for members of the newly formed authority. The proposed changes include raising the Mayor's allowance by 3.6% and setting the Deputy Mayor's allowance at £24,875. These adjustments follow the creation of the EMCA's in 2024, which unified Derbyshire, Nottinghamshire, Derby, and Nottingham under a single strategic body with powers over transport, skills, housing, and economic growth.

The panel's recommendations also suggest increased allowances for members of the Overview and Scrutiny Committee and the Audit and Governance Committee, along with new payments for vice-chairs and substitute scrutiny members. The report anticipates national changes from the English Devolution and Community Empowerment Bill, which could allow combined authorities to pay allowances to council leaders and members with special responsibilities. The financial impact of these changes is estimated at an additional £29,000 annually, with potential future allowances adding £114,000, subject to legislative approval. The scheme may be revisited following local government reorganisation in the East Midlands by 2028.

Mayor's pay rise and new allowances proposed for East Midlands - West Bridgford Wire

FOR INFORMATION

For the Governance and Scrutiny Group and Executive Directors

ADULT SOCIAL CARE FAIR PAY AGREEMENT IS 'UNWORKABLE' ACORDING TO THE LOCAL GOVERNMENT ASSOCIATION (LGA)

The LGA supports a focus on improving pay in adult social care but is warning that the proposed adult social care Fair Pay Agreement (FPA) model is unworkable without adequate funding and local government involvement in the negotiating body.

LGA has announced its support for improving pay in adult social care but warns that the proposed FPA model is unworkable without adequate funding and local government involvement. Local authorities, as primary commissioners, spent £26.7bn on adult social care in 2025/26, representing 40% of council budgets.

In its response to the Department for Health and Social Care's consultation, the LGA stressed the need for local government to be central to the FPA process. The government has allocated £500 million for the first FPA in 2028, sourced from the £4bn announced in the Spending Review, including council tax income. However, with 1.6 million workers potentially affected, the LGA is concerned this funding is insufficient and could further strain council budgets.

The LGA has called for full central government funding for all costs, including implementation and legal liabilities, direct local government representation in the Adult Social Care Negotiating Body (ASCNB), and a comprehensive Equality Impact Assessment.

Councillor Pete Marland, Chair of the LGA's Local Government Resources Committee, highlights the importance of improving pay for sustainability but insists local government must be involved in decision-making to prevent jeopardising care supply and council financial stability.

Adult social care Fair Pay Agreement is ‘unworkable’ without proper funding and local government involvement, LGA says - Local Government Association

FOR INFORMATION

For the Governance and Scrutiny Group and Executive Directors

COUNCILS REQUEST TO DELAY LOCAL ELECTIONS

Twenty-nine councils have written to the government asking their local elections to be postponed by a year, citing the resources needed to deliver the local government reorganisation (LGR) programme, and the cost of holding elections.

Twenty-nine councils have requested the government postpone their local elections by a year, citing the resources needed for local government reorganisation (LGR) and election costs. Among these councils, 21 are Labour led, four Conservative, two Liberal Democrat, one Green, and one independent. The government had offered 63 councils the option to delay their May elections due to LGR challenges, and all have now confirmed their positions. Local Government Secretary Steve Reed stated that most elections will proceed as scheduled, but delays are considered where significant reorganisation is underway.

Sky News reports that 29 councils requested a delay, 33 did not, and one was undecided. Councils argue that spending on elections for positions lasting only a year is impractical. The final decision rests with the government, facing criticism from opposition parties. Reform UK leader Nigel Farage plans a legal challenge against the delays, accusing major parties of excluding his party from power. The Electoral Commission's chief executive, Vijay Rangarajan, expressed concern over postponements, stressing that elections should proceed as planned unless exceptional circumstances arise, warning of potential impacts on local decision-making legitimacy and public confidence.

Number of councils that have requested delay to local elections revealed - Sky News

FOR INFORMATION

For the Governance and Scrutiny Group 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 Engagement Partner or the Engagement Manager.	G
Positive result from any external review	Following an External Quality Assessment by the Institute of Internal Auditors in May 2021, BDO was found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards	G
Quality of work	We received two responses to our audit satisfaction surveys for 2024/25 reviews, with an average score of 4.3/5 for the overall audit experience and for the value added from our work. The number of responses is lower than we would expect, and we will work with the management team to increase the number of responses to our surveys during 2025/26.	G A
Completion of audit plan	We have progressed the 2025/26 Internal Audit Plan, with two audits presented to this Audit Committee meeting and other audits in the fieldwork or planning phase.	G

Appendix 1

OPINION SIGNIFICANCE DEFINITION

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

RECOMMENDATION SIGNIFICANCE DEFINITION

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

FOR MORE INFORMATION:

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