



**INTERNAL AUDIT
PROGRESS REPORT**

Rushcliffe Borough Council

2021/22 - November

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SUMMARY OF 2021/22 - NOVEMBER

INTERNAL AUDIT

This report is intended to inform the Audit Committee of progress made against the 2021/22 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.



2021/2022 INTERNAL AUDIT PLAN

Three audits have been completed and we are pleased to present the following reports to this Audit Committee:

- Main Financial Systems
- Planning & s106
- Corporate Governance.

Fieldwork is underway or is due to begin on a further three audits which we hope to present at the next Audit Committee:

- Business Continuity & Disaster Recovery
- Housing Benefits
- Hybrid Mail Review.


REVIEW OF 2021/22 - NOVEMBER

AUDIT	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Fraud Report	June 2021	✓	✓	✓	N/A	N/A
Main Financial Systems	November 2021	✓	✓	✓	●	●
Planning & s106	November 2021	✓	✓	✓	●	●
Corporate Governance	November 2021	✓	✓	✓	●	●
Business Continuity & Disaster Recovery	February 2021	✓	✓			
Housing Benefits	February 2021	✓	✓			
Hybrid Mail Project Review	February 2021	✓	✓			
GDPR	June 2022					
Contract Management & Procurement	June 2022	✓				
Homelessness & Temporary Accommodation	June 2022					



MAIN FINANCIAL SYSTEMS


Design Opinion	 Substantial	Design Effectiveness	 Substantial
Recommendations	  		



SCOPE


AREAS REVIEWED

- ▶ Review of users with access to the revenues system and for a sample of 20 users, check to ensure their access is appropriate for their role
- ▶ Check to ensure that there are reconciliations between the Council’s lists of domestic and business properties and the information from the Valuation Office, that the reconciliations are completed on a timely basis and appropriately approved, with corrective action taken where necessary
- ▶ Review of the steps taken to ensure implementation of recommendations raised in previous Budget Management audit
- ▶ For a sample of investments, confirm that they comply with the Council’s treasury management policy and are appropriately approved
- ▶ Review of the last payroll run to ensure there was appropriate review and approval as well as review and action of exception reports
- ▶ Review of a sample of monthly reconciliations to ensure they were completed, actioned and reviewed in a timely manner



AREAS OF STRENGTH

- ▶ All recommendations from the 2020/21 Budget Management audit have been implemented by the Council which we have reported in previous follow-up reports
- ▶ A treasury dealing spreadsheet is in place to monitor all deals undertaken. On this spreadsheet the Council have created a form for each individual deal which is sent to the Finance Services Officer to approve. Formulas embedded into the form identify whether the counterparty is approved by the Council’s credit rating agencies and whether the investment is within the Council’s limits
- ▶ Procedure notes cover the payroll reconciliation process, adding expense/mileage/overtime to payroll and notifying GBC of new starter/leavers from the payroll and they are regularly reviewed. These procedure notes are clearly presented using narrative and screenshots to advise staff on how to undertake the process.
- ▶ All users were given appropriate role/authorisations on the One Revenues system depending on their job roles. When staff are added to the system they are added to a user group based on their job role which will either allow them to edit the data in the system or read only access
- ▶ For residential properties the VOA provide a report to the Council stating the number of each properties in each band in the Council’s jurisdiction. This is reconciled on a report generated on the One Revenues system which shows the same information.



AREAS OF CONCERN

- ▶ No high or medium findings were identified

PLANNING & S106

Design Opinion	● Moderate	Design Effectiveness	● Moderate
Recommendations	0 3 0		

SCOPE

AREAS REVIEWED

- ▶ Review the strategies in place supporting the effective operation of planning and S106
- ▶ Review a sample of planning applications and assess whether they were processed within statutory time limits
- ▶ Review governance structures within the relevant teams
- ▶ Review the controls in place regarding the management and oversight of s106 funds
- ▶ Review the management information produced and confirm sufficient levels of monitoring.

AREAS OF STRENGTH

- ▶ There was oversight of the Planning Team’s performance through robust bi-monthly reporting of KPIs to the Communities Clinic and then latterly the Development & Economic Growth Clinic. There were a variety of KPIs which included the timeliness of processing planning applications and the percentage of appeals that had been allowed.
- ▶ The Council provide guidance on its website to support applicants to submit a planning application. These include: planning policies, fees and details of how the Council consider applications. Suitable guidance on whether planning permission is required is also available to prevent unnecessary applications being submitted
- ▶ The Council decided on a higher number of applications and agreed fewer extensions each month than the average of all local planning authorities
- ▶ Our sample test of six S106 Agreements identified that where the contributions had been spent, adequate documentary evidence had been obtained by the Council to confirm that expenditure complied with the S106 Agreement.

AREAS OF CONCERN

- ▶ The KPI reports identified that the Council were failing to meet its target of 85% of householder applications completed within statutory time limits. This appeared to be due to vacancies in the team and a focus on processing major applications
- ▶ Developers failed to notify the Council when S106 Agreement triggers had been met which led to delays in contributions being collected and the Council is not enforcing penalties for this, as it wants to maintain good relationships with developers. There was also one instance, now corrected, where a developer had been overcharged due to the incorrect indexation being applied
- ▶ 10/15 planning applications we tested were not processed within the statutory time limits and where extension of time agreements were made, in 8 cases these were agreed after the statutory time limit had elapsed.

VALUE ADDED

We reviewed data published by the government and identified the following themes in relation to the Council’s performance:

- The Council decided on more applications than the average of all local authorities between January and May 2021, an improvement on June to December 2020, which coincided with an increase in minor and other applications which are less complex
- ▶ Between June 2020 and May 2021 the proportion of the Council’s applications given an extension of time was considerably lower than the average of all local planning authorities.

CORPORATE GOVERNANCE

Design Opinion



Moderate

Design Effectiveness



Moderate

Recommendations

0

2

6



SCOPE

AREAS REVIEWED

- ▶ Review whether an effective council, committee and reporting structure is in place that enables decisions to be taken whilst engaging Members and the public
- ▶ Confirm that committee roles are appropriate through Terms of Reference for each committee and group and have clear role descriptions for Lead Members
- ▶ Confirm workplans are maintained for Executive / Committees through minuting and action tracking
- ▶ Confirm that Members and staff possess the appropriate mix of skills and receive any required training and development to fulfil their roles
- ▶ Confirm if decision-making to directors and staff has been made appropriately through Financial Regulations, Scheme of Delegation
- ▶ Confirm if governance arrangements support an appropriate culture and ethos within the Council through policies relating to codes of conduct, gifts and hospitality, fraud and corruption, whistleblowing, etc. and therefore demonstrate a commitment to applying appropriate standards of business and compliance with the Local Government Transparency Code 2015
- ▶ Confirm if there is regular review of the performance of the governance structures (which may be via self-assessment) to identify ways to enhance them for the future.



AREAS OF STRENGTH

- ▶ **Constitution** - There is a Constitution that outlines the Management Structure, Cabinet Structure and Scrutiny Structure and a list of Committees/Groups. Terms of reference are included for the scrutiny groups and detail membership, purpose and support and resources for each committee. Regulatory committee terms of reference outline their purpose
- ▶ **Scheme of Delegation** - The Council has defined a Scheme of Delegation, which is included in the Constitution
- ▶ **Councillor Induction** - The Council has a Councillor induction handbook that contains good levels of guidance
- ▶ **Scrutiny Group work programmes** - The Corporate Overview Group sets work programmes for the Scrutiny Groups on a rolling basis. We reviewed the work programmes for Communities Scrutiny Group (January, April and July 2021 meetings), Governance Scrutiny Group (February and June 2021 meetings), and Growth and Development Scrutiny Group (January, April, and July 2021 meetings). We compared these to the actual agenda and minutes of these meetings and noted that for all except two meetings, the agenda and items discussed matched the work programme. For exceptions, we confirmed that items were deferred to the following meeting
- ▶ **Anti-Money Laundering policy** - The Council's anti-money laundering policy forms part of the Anti-Fraud and Corruption Policy.



AREAS OF CONCERN

- ▶ **Ongoing confirmation of interests - Councillors** - At the time of our review, 86% of Councillors had not updated their declaration of interests in the last 12 months. It is recognised that this may have been affected by not having meetings in person due to COVID-19, where declarations of interest forms would have been filled out on paper
- ▶ **Councillor engagement in training** - There is not strong engagement from Councillors with the training programme provided by the Council, especially with the Regulatory committees where:
 - Two out of 11 Members (18%) on the Planning Committee have not completed relevant training for their committee since election in 2019
 - Three out of 15 Members (20%) on the Licensing Committee have not completed relevant training for their committee since election in 2019



VALUE ADDED

The Council has carried out a self-assessment against the CIPFA Financial Management Code. We have looked at the areas that align to the scope of this review, and include our assessment. For areas not looked at as part of this review, we will consider this in context of the rest of our internal audit plan for the year and incorporate relevant areas where applicable.

SECTOR UPDATE

Our quarterly Local Government briefing summarises recent publication 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, directors and members. Topics include Finance, Housing and Children.

Councils face £3bn budget shortfall

Councils across England, Wales and Scotland face a budget gap of over £3bn for the next financial year, research has found. Figures obtained via freedom of information requests and compiled by trade union Unison reveal that councils are expecting a record overall £3.09bn shortfall in 2022-2023. Unison said that given the scale of cuts councils have already had to make in recent years, “any further reductions would strip even more essential services to the bone or remove them completely”.

One of the largest shortfalls is Newcastle City Council, which must make up a £94m gap in the next financial year, on top of £305m the council has lost from its budget since 2010. Surrey CC is facing a £47.1m shortfall, and Hampshire CC must save £65.9m over the next year, having already made significant cuts to services. Hampshire has been forced to close eight libraries in the past year, losing 50 jobs in the process. Libraries which have remained open in the county have had their opening hours substantially reduced. Many councils are faced with budget gaps despite already significantly scaling back their services.

Councils face £3bn budget shortfall | [Local Government Chronicle \(LGC\) \(lgcplus.com\)](#)

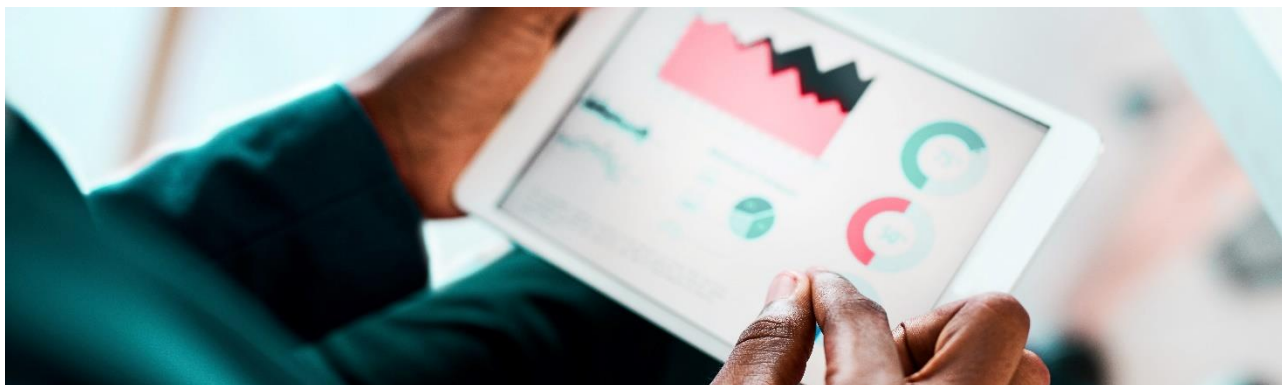
£8.6bn funding allocated for affordable homes

The government has allocated £8.6bn of funding for affordable housing today, in what it claims is the largest single such investment for a decade. The affordable homes programme funding announced will deliver around 119,000 homes, about a quarter of which (29,600) will be made available for social rent.

The funding is part of a wider £11.5bn pot which will deliver more than 32,000 socially rented homes in all. The Ministry of Housing, Communities & Local Government claims the programme overall will deliver up to 180,000 new affordable homes, “should economic conditions allow”.

Nearly 90 new partnerships made up of councils, housing associations and private providers successfully bid for a share of programme funding. Almost £5.2bn of the package announced today will be delivered outside London by Homes England, the government body responsible for housing delivery. The Greater London Authority (GLA) will deliver homes within London.

£8.6bn funding allocated for affordable homes | [Local Government Chronicle \(LGC\) \(lgcplus.com\)](#)



New family hubs to open in £20m funding boost

Councils will be given £20m to spend on family hubs initiatives, half of which will be earmarked for opening new hubs. The government pledged in its election manifesto that it would champion family hubs to support vulnerable families and has so far spent £14m, including setting up a new national centre for family hubs earlier this year.

The latest funding announcement follows a report last week from the Institute for Fiscal Studies which argued that around 13,000 admissions of children to hospital each year were likely to have been prevented by the work of the Sure Start children's centres, which some see as predecessors of the family hubs model.

Family Hubs are designed to offer families, children and young people access to a range of support services, which may include early education and childcare, mental health support, meetings with health visitors and advice for victims of domestic abuse. Established in 1999 by the last Labour government, Sure Start children's centres similarly brought together health, parenting support, childcare and parental employment services into a one-stop shop for families with children under 5. At its peak in 2010, Sure Start received £1.8bn a year (a third of overall early years spending), but spending has since fallen by more than two-thirds, with many centres closed, scaled back or integrated into family hubs, according to the IFS.





Of the latest funding, £10m will be used for the family hubs "transformation fund", which will support councils to open family hubs in around ten new areas of England. The remaining £10m will help expand a digital project called 'growing up well', designed to improve how information is shared between professionals working with families and children in these hubs.

The new funding follows publication of a government review of early years led by Andrea Leadsom MP which identified six key action areas, including championing family hubs as a place where parents and carers can access 'Start for Life' family support services.

New family hubs to open in £20m funding boost | Local Government Chronicle (LGC) (lgcplus.com)

APPENDIX I - DEFINITIONS

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.



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