



**INTERNAL AUDIT PROGRESS REPORT**

MALDON DISTRICT COUNCIL

FEBRUARY 2020

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# SUMMARY OF 2019/20 WORK

This report is intended to inform the Performance, Governance & Audit Committee of progress made against the 2019/20 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.

## 2019/20 Internal Audit Plan

The following audits have been issued in final since the last Committee:

- IT Disaster Recovery
- Main Financial Systems

The following audits have been issued in draft and will be brought to the next Committee:

- Workforce Management
- Network Security

The following audits are in fieldwork or scheduled:

- Community Safety (fieldwork scheduled 3 March 2020)
- Flooding Risk Management (fieldwork scheduled 24 February 2020)
- Corporate Governance (fieldwork scheduled 24 February 2020)

## Reports for this Committee

- Follow Up of Internal Audit Recommendations
- Draft Strategic and Operational Plan 2020/21

# REVIEW OF 2019/20 WORK

Audit Area	Audit Days	Planning	Fieldwork	Reporting	Opinion Design	Opinion Effectiveness
Main Financial Systems	20	✓	✓	February 2020	Moderate	Limited
Risk Maturity Assessment	15	✓	✓	August 2019	N/A	N/A
Corporate Governance	20	✓				
Workforce Management	15	✓	✓	April 2020		
Transformation Programme	25	Deferred to 2020				
GDPR Compliance	15	✓	✓	August 2019	Substantial	Moderate
IT Disaster Recovery	20	✓	✓	February 2020	Limited	Moderate
Corporate Plan and Priorities	15	Deferred to 2020				
Procurement & Contract Management	15	✓	✓	November 2019	Moderate	Limited
Management of Property	15	Deferred to 2020				
<b>Addition to plan:</b>						
Flood Risk Management	20	✓	✓	April 2020		
Network Security	15	✓	✓	April 2020		
Community Safety	20	✓	✓	April 2020		



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# 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.

## Increase in local authority investments in shopping centres and increased reserves

Research conducted by retail property consultants Revo and Lamber Smith Hampton has identified the increased trend in local authority investment in shopping centres. UK councils have spent £770m on shopping centres since 2016, with nearly one in five local authority transactions relating to shopping centre investment. The investments are predicted to reach £1bn by 2020. The head of planning, development and regeneration at LSH said “We are fully supportive of councils acquiring shopping centres as a catalyst for change, but only where they are underpinned by robust and fully costed business plans and investment strategies, as part of wider regeneration and income-generating objectives.”

<https://www.publicfinance.co.uk/news/2019/09/council-investment-shopping-centres-predicted-reach-ps1bn-mark>



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## Local Authority Reserves

CIPFA chief executive Rob Whiteman has suggested local authorities appear to be expecting austerity to continue, as latest figures show increased reserves. Data released in August 2019 showed Local Authority reserves were up 7.4% in total, however there was a large variation between authorities, with 37% of local authorities making a net use of their reserves in 2018-19. Excluding education spending, councils spent 1% more in 2018/19 than the previous year, taking into account inflation. One of the most significant increases is in adult and children’s social care (5.1% and 5.8% increases respectively), highlighting the pressures on these particular areas.

<https://www.publicfinance.co.uk/news/2019/08/english-councils-expect-further-squeeze-reserve-levels-rise>



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## The benefits of full-fibre/5G and innovative ways to introduce technology into local authorities

A report from the Broadband Stakeholder Group (BSG), based on research provided by Oxera Consulting, has stated how local governments can benefit from full-fibre and 5G. According to the report local governments are crucial to the ability of telecoms operators to provide the UK with the necessary networks and infrastructure to support connectivity requirements.



Local authorities are expected to see benefits from this in the form of being able to enhance services such as home care, as well as boosting local

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economic activity, with the report estimating employment could increase by up to 1.7% in some areas. In areas currently suffering with poor coverage the introduction of enhanced networks is estimated to result in a 3.2% rise in the number of local businesses. For a local authority with an annual business rates income of £400,000 this would equate to an extra £10,000pa. The increased connectivity could also help tackle local issues such as deprivation and antisocial behaviour.

<https://www.governmentcomputing.com/local-government/industry-news/bsg-local-governments-5g-full-fibre>

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### **Councils invited to apply for digital funding to boost services**

In August 2019 the government announced plans for councils to be able to bid for grants to develop 'innovative ways' to improve public services through technology, with a fund of up to £7.5m to be shared by local authorities and a maximum of £350k per project. Previous examples include using Amazon's Alexa to assist people in need of care, using AI to produce education plans, developing online payment for services and helping social housing tenants log repairs digitally. Luke Hall, the Minister for Local Government stated "Councils are on the front line of exploring how we can harness technology to improve services while saving taxpayers' money." In each project, a lead council will partner with at least two other authorities from across the country to share knowledge, skills and ideas.

<https://www.gov.uk/government/news/councils-invited-to-apply-for-digital-funding-to-boost-services>

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### **Council set to save £5m a year by introducing virtual assistant technology**

A recent example of successful technology implementation comes from Wiltshire Council, who introduced virtual assistant technology to speed up the authority's payroll service. The council is planning to continue increasing the number of services digitally available and claim it will save the council £5m every year by 2021.

<https://www.wiltshiretimes.co.uk/news/17906928.virtual-assistants-come-online-save-cash-local-authority/>

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### **Local authorities required to have recycling collections in place by 2023 and could risk legal action if they do not include carbon targets in local plans**

The Department for Environment, Food and Rural Affairs has announced new legislation that will require all local authorities in England to have recycling collections in place by 2023. The authority collections should include separate collections for glass, plastic, aluminium, paper and card. The department also announced that packing producers will be required to pay the full cost of disposing of packaging, currently packaging producers pay only around 10% of the costs. Martin Tett, environment spokesperson for the Local Government Association, said: "We support moves to a clearly defined core set of recyclable materials, provided it is fully funded, as well



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as further work on how funding from packaging producers and retailers will be allocated to councils”.

<https://www.publicfinance.co.uk/news/2019/07/english-councils-must-have-recycling-collections-set-2023>

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### Local Plan 15-year vision for development in their areas

ClientEarth has warned that Local Authorities could risk legal action if they do not include carbon targets in their Local Plans. Local planning authorities now have a legal obligation to include carbon reduction targets in a 15-year vision for development in their areas. ClientEarth climate lawyer, Sam Hunter Jones, has said “So many of the daily decisions around new and existing infrastructure - such as new buildings, roads and utilities - are made at the local level. All of these decisions will ‘lock in’ an area’s future emissions and its resilience to climate change.” Local Authorities are therefore obliged to be “Climate Sensitive” when planning upcoming infrastructure and housing development.





<https://www.publicfinance.co.uk/news/2019/09/councils-not-including-carbon-targets-local-plans-risk-legal-action1>

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# APPENDIX 1

## OPINION SIGNIFICANCE DEFINITION

Level of Assurance	Design Opinion	Findings from review	Effectiveness Opinion	Findings from review
<b>Substantial</b> 	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.
<b>Moderate</b> 	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.
<b>Limited</b> 	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.
<b>No</b> 	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.





FOR MORE INFORMATION:

FIRSTNAME SURNAME

+44 (0)XX XXXX XXXX  
firstname.surname@bdo.co.uk

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