



INTERNAL AUDIT PROGRESS REPORT

MALDON DISTRICT COUNCIL

November 2021

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SUMMARY OF 2021/22 WORK

This report is intended to inform the Performance, Governance & 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.

As a result of the impact of Covid-19 there were delays in the delivery of the 20/21 plan with two audits (CRM and Management of Property) being brought into the 21/22 plan. All audit except one (Workforce Management) have been provisionally scoped. As with the 20/21 Audit Plan, the 21/22 Audit Plan will need to be flexible to accommodate new risks resulting from Covid-19; we will agree any proposed changes with the Director of Resources and the Performance, Governance and Audit Committee (PGA).

Internal Audit Plan

The following audits have been issued in final since the July PGA:

- Fraud Risk Assessment (20/21)
- Covid Response Plan
- Partnerships

The following audits are at either draft report or fieldwork stage:

- Management of Property
- Main Financial Systems
- Policy Review
- IT Strategy and Transformation

Other Reports for this Committee

- Follow Up of Internal Audit Recommendations

REVIEW OF 2021/22 WORK

Audit Area	Planning	Fieldwork	Reporting	Opinion	
				Design	Effectiveness
Covid Recovery Plan	✓	Q2	November 2021	Substantial	Substantial
Partnerships	✓	Q2	November 2021	Moderate	Moderate
Management of Property	✓	Q2	February 2022		
Policy Review	✓	Q3	February 2022		
Main Financial Systems	✓	Q3	February 2022		
IT Strategy & Transformation	✓	Q3	February 2022		
Strategic Performance-Community	✓	Q3	February 2022		
Customer Service-CRM Post Implementation	✓	Q3	February 2022		
Communications & Stakeholder Management	✓	Q4	March 2022		
Commercialisation	✓	Q4	March 2022		
Workforce Management		Q4	March 2022		

SECTOR UPDATE

Our quarterly Local Government briefing summarises recent publications and emerging issues relevant to Local Authorities that may be of interest to your organisation. It is intended to provide a snapshot of current issues for senior managers, directors and members.

FINANCE

Labour unveils plans to scrap business rates

A future Labour government would replace non-domestic rates with a fairer system to ease the burden on smaller high street firms, shadow chancellor Rachel Reeves has announced.

Speaking at the party's annual conference today, Reeves urged the government to freeze business rates and increase relief on smaller properties next year, funded by a 10 percentage point hike to the digital services tax.

If elected, Labour would implement a new tax system in the long-term, featuring more frequent revaluations and instant reductions in bills if property values fall, she added.

Reeves said: "Our high street businesses do so much to enrich our lives and our communities, facing huge adversity in the past year. They are struggling right now, with a cliff-edge in rates relief coming up in March.

"The next Labour government will scrap business rates.

"We will carry out the biggest overhaul of business taxation in a generation, so our businesses can lead the pack, not watch opportunities go elsewhere."

However, Reeves did not give any details on the potential replacement to business rates.

But she insisted that the new system would reward businesses that move into empty properties, encourage green improvements, and ensure that no public services or local authorities will lose out.

<https://www.publicfinance.co.uk/news/2021/09/labour-unveils-plans-scrap-business-rates>

Councils to receive funding boost for accommodating Afghan refugees

Local authorities in the UK will receive additional funding to help with the cost of resettling Afghan refugees, following the recent coup in the nation.

Councils that offer residence through the government's two refugee settlement schemes will receive £20,520 per person, spread over three years, to cover resettlement and integration costs. Local councils and health partners will also receive up to £4,500 per child for education, £850 to cover English lessons for adults requiring support and £2,600 for healthcare costs.

Communities Secretary Robert Jenrick said: "I am incredibly impressed by the positive response we have received from councils so far, with a large number already pledging their support.

"However, we urgently need more offers of accommodation to welcome Afghan families who have remained firm allies of the UK, working with our troops and our country so bravely in recent years. "With this extra funding in place, I am asking all councils that have not yet come forward to contact us with a firm offer of support to help these families secure the best possible start to their new lives."

Local authorities will also be able to bid for a share of a £20m flexible funding pot, which will help offset the costs of providing additional services.

<https://www.publicfinance.co.uk/news/2021/09/councils-receive-funding-boost-accommodating-afghan-refugees>

Council scrutiny 'superficial and inadequate'

Nottingham City Council's scrutiny of wholly-owned companies remains "superficial and inadequate" a year after its auditors raised similar concerns, according to an independent report.

In August 2020, external auditors Grant Thornton said in a public interest report that Nottingham's governance arrangements had a lack of clarity about roles and responsibilities and financial forecasts were not appropriately challenged.

However, a report by the Centre for Governance and Scrutiny, to be discussed at an overview and scrutiny committee meeting next week said that governance concerns are still an issue at the authority.

The report said: "Scrutiny of the executive and council companies was superficial and inadequate; this is partially due to scrutiny having no clearly understood role and the lack of a suitable information to base its scrutiny upon.

"We also note that some of the councillor-board roles and positions were potentially in conflict or might contribute to the weakened input of scrutiny oversight and challenge."

Scrutiny is "essentially disconnected" from the issues that the council faces and has largely been absent in challenging the decisions and events that have led it to the point of crisis", the report said.

<https://www.publicfinance.co.uk/news/2021/09/council-scrutiny-superficial-and-inadequate>

Former senior council officers guilty of 'phantom worker' scam

Two senior officers at a borough council have been found guilty of creating a fake worker to defraud more than £40,000 from the authority.

Between June 2012 and April 2015, Kalvinder Garcha, head of corporate resources at Oadby and Wigston Borough Council, and Lynn Middleton, head of HR at the authority, created a fake employee to defraud the council.

Middleton's sister, Sharon Reeve, played the role of the phantom employee - being paid for two years' employment alongside seven weeks' work for a local cancer charity.

Reeve pleaded guilty to two counts of conspiracy to money launder two weeks into the trial, while Middleton pleaded guilty to two counts of fraud and money laundering at an earlier hearing. Meanwhile, Garcha was found guilty of two counts of money laundering and fraud at Leicester Crown Court.

Detective sergeant Matt Swift, from Leicestershire Police's Economic Crime Unit, said: "This has been a lengthy and complex investigation spanning more than four years.

<https://www.publicfinance.co.uk/news/2021/09/former-senior-council-officers-guilty-phantom-worker-scam>

News analysis: UK government threatens return of borrowing caps

A government policy paper proposing limits on some UK local authorities' borrowing has received a mixed reception from voices within the sector.

Those with long memories will remember the days when Whitehall issued UK councils with annual credit approvals, effectively setting a cap on each authority's borrowing. That system ended with the introduction of the prudential framework in 2004, freeing councils to spend and borrow without seeking prior approval. It has been easy to forget that the legislation enabling the framework, the 2003 Local Government Act, contained a clause allowing the secretary of state to impose caps on particular councils "for the purpose of ensuring that the authority does not borrow more than it can afford". Easy to forget, that is, until now.

In late July, the Ministry of Housing, Communities & Local Government published a policy paper with an ominous message: "We are reviewing the statutory powers for capping borrowing and considering how and when we will apply these to protect local financial sustainability."

Although the paper said that the government wants to avoid a return to a system of central control, it made clear that greater intervention from Whitehall might be necessary to deal with increasing financial risks - not just from commercial property investments but from private finance initiative deals, income strip arrangements and financial derivatives.

<https://www.publicfinance.co.uk/analysis/2021/09/news-analysis-uk-government-threatens-return-borrowing-caps>

Environment

Councils need 'centralised net zero plan'

Local authorities will require a centralised strategy to ensure that net zero commitments are met, and councils are not forced to “go it alone”, according to a senior peer.

Although more than three quarters of local authorities in England have declared climate emergencies, councils are forced to go it alone without centralised help, Lord Deben, chair of the Climate Change Committee said.

He added that the Ministry for Housing, Communities and Local Government needs to develop a strategy, including best practice, to guide local authorities in achieving net zero policies.

Deben told the Housing, Communities and Local Government Committee: “What we really need is a net zero delivery structure, which would be centralised in MHCLG, and bring in other departments.

“This would constantly ensure that decisions made by local authorities, for local authorities, would be made with [climate] matters absolutely at the forefront.

“At the moment it is not like that.”

On funding, Deben said that the Treasury does not have a clear breakdown of where funding for climate related projects comes from, meaning it is difficult to create a benchmark to assess financing arrangements.

<https://www.publicfinance.co.uk/news/2021/09/councils-need-centralised-net-zero-plan>

HOUSING

Commission urges flexible funding plan to tackle homelessness

The government must develop a flexible long-term funding strategy if it is to meet its target of eliminating rough sleeping by 2024, according to experts.

Funding for local authorities to tackle rough sleeping is mainly directed to major cities, meaning that some councils were are unable to offer services, the influential Kerslake Commission said [in its final report](#).

The commission called for a joined-up cross departmental approach, with central government leadership, to ensure that communities have enough guidance and resources to manage homelessness levels.

In his foreword to the report, Bob Kerslake, chair of the commission, said: “Perhaps inevitably, there is not one single answer but a series of actions covering prevention, early response, and new provision.

“Taken together, they add up to a substantial system change from the way things have been done up until now. All are practical and deliverable.

“At its heart is stronger cross-government planning and coordination, sufficient funding, and embedding a new level of collaboration and partnership across local government, health, and housing and homelessness providers.”

<https://www.publicfinance.co.uk/news/2021/09/commission-urges-flexible-funding-plan-tackle-homelessness>

MHCLG rebranding a 'misstep'

The decision to rebrand the Ministry for Housing, Communities and Local Government has been criticised by the sector, with one expert calling it a misstep.

MHCLG confirmed yesterday that its name has changed to the Department for Levelling Up, Housing and Communities, mirroring the government’s lead policy of tackling regional inequalities.

However, the move has drawn some scorn from experts due to the removal of local government, with Adam Lent, chief executive of think tank New Local, labelling the move arrogant.

He tweeted: "I know the arrogance of Westminster is usually off the scale but replacing a whole tier of democratic governance with a half-baked election slogan is special even for SW1.

"The government has pointlessly alienated the two million people who work in local govt while simultaneously upping the stakes on levelling up, a promise they cannot remotely fulfil in any meaningful way without the help of those people.

"What a misstep."





Simon Bottery, senior fellow of social care at healthcare charity the Kings Fund said that rebranding belittles the importance that local authorities have in providing services.

He tweeted: "Seems extraordinary to remove 'local government' from the department's title.

"Councils spend over £23bn on adult social care alone."

<https://www.publicfinance.co.uk/news/2021/09/mhclg-rebranding-misstep>

APPENDIX I - DEFINITION OF ASSURANCE

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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