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### SUMMARY OF WORK

### **INTERNAL AUDIT**

This report is intended to inform the Performance, Governance & Audit Committee of progress made against the 2021/22 and 2022/23 internal audit plans. 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

Four audits have been completed and represent the last of the 2021/22 audit plan. We are pleased to present the following reports to this Performance, Governance & Audit Committee:

- Customer Relationship Management (CRM)
- Workforce Planning

### 2022/2023 INTERNAL AUDIT PLAN

Two audits have been completed from the 2022/23 audit plan and we are pleased to present the following reports to this Performance, Governance & Audit Committee:

- Corporate Governance
- Risk Maturity

### AMENDMENTS TO THE PLAN

- As part of the scoping for Communications and Stakeholder Management, due to Officer availability and the
  current risk profile it was agreed that this audit would be dropped from the plan and, in its place Contract
  Management, an area deemed to be of high risk by the Directors, would replace it and begin in the new financial
  year.
- Flood Management was due to be completed in Q1 of the 2022/23. However, given developments at the Council it was agreed to postpone this until later in the year in order to complete a more urgent review of Payment Controls resulting in additional days in this years' plan. The additional days will partly be covered by the postponement of the Capital and Commercial Project Management audit which will instead take place in Q1 as part of the 23/24 plan. Given that a Commercialisation audit is due to be finalised for the November PGA, this area is being covered to some extent already this year.

# **REVIEW OF JULY 2022**

AUDIT	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Covid Recovery Plan	November 2021	✓	1	✓		
Partnerships	November 2021	✓	✓	✓		
Management of Property	February 2022	✓	✓	✓		
Policy Review	February 2022	✓	✓	✓		
Main Financial Systems	February 2022	✓	✓	<b>√</b>		
IT Strategy & Transformation	February 2022	✓	✓	✓		
Strategic Performance- Community	February 2022	✓	✓	✓		
Customer Relationship Management	June 2022	✓	✓	✓		
Communications & Stakeholder Management (removed from 21/22 plan)	June 2022					
Workforce Management	June 2022	✓	✓	✓		
Contract Management (brought in to replace Communications)	November 2022	✓	1			
Commercialisation	November 2022	✓	1			



# **REVIEW OF JULY 2022**

AUDIT	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Risk Maturity Assessment	July 2022	<b>√</b>	✓	✓	N/	A - Advisory
Corporate Governance	July 2022	✓	✓	✓		
Flood Management	November 2022	✓				
Safeguarding	November 2022	✓	✓			
Payment Controls Review (added to 22/23 plan)	November 2022	✓	<b>√</b>			
Local Development Plan	November 2022					
Budgets and Performance Management	November 2022					
Capital and Commercial Project Management (moved to 23/24)						
Main Financial Systems	November 2022					
Climate Change and Sustainability	March 2022					
Strategic Performance (Place)	March 2022					
Workforce Management	March 2022					
Community Safety	June 2022					



## 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.

### Cost of living squeeze hits public sector

Authorities face increased costs without any guarantee of higher income, putting pressure on budgets for next year. Everyone is paying a high price for the cost-of-living crisis, including the public sector.

In addition to higher energy bills and wider inflation, local authorities face problems finding contractors and could lose income from fees and charges.

"It is having a major impact on budgets," said Lynton Green, deputy chief executive at Warrington Borough Council and president of the UK's Society of Municipal Treasurers. Government support helped to protect UK councils during the first year of the pandemic, with some paying significant sums into reserves.

But along with consumers, they now face inflation exceeding 7% during the next few months. Contractors, including providers of adult social care, are keen to pass on costs, such as April's 1.25 percentage point rise in national insurance.

"They see local authorities as having extra money," said Green. Meanwhile, supply chain problems, partly caused by Brexit, mean that some contractors will only guarantee prices for short periods. "Everything has to be signed and sealed in two weeks," he added. "They will not hold prices any longer."

Ian Miller, chief executive of Wyre Forest District Council in Worcestershire, said bills for construction schemes are exceeding initial estimates: "We have to reshape projects in line with available funding." Along with other district councils, Wyre Forest is effectively limited to raising council tax in 2022-23 by a maximum of 1.99%. "It will definitely be sub-inflation," said Miller. Upper- and single-tier authorities can levy an extra 1% for social care.

https://www.publicfinance.co.uk/analysis/2022/03/cost-living-squeeze-hits-public-sector

### Funding reforms key to 'levelling up'

The government's 'levelling up' agenda is reliant on detail on funding reforms omitted from last month's white paper, according to the Institute for Fiscal Studies.

Although February's 'levelling up' white paper recognised the importance of public services, it failed to include any proposals on how the government planned to reform funding, research published by the IFS said.

It added that the paper focused on narrowing geographic gaps in funding but lacked any details on how money was reaching the most deprived areas, and the effect it was having.

The report said: "Overall there is little said [in the paper] about one of the biggest direct levers the government has to effect levelling up: changes to how funding is allocated between places.

"This is an important omission because recent years have seen increasingly robust evidence emerge that the amount of funding a range of public services receive matters for the outcomes they deliver."

Since 2010 local authorities funding has acted against 'levelling up', as authority spending fell by around twice as much per person (31%) in the most deprived tenth of councils, compared to the wealthiest (16%), the report added.



This was a result of the government failing to consider how much each authority relied on grants to fund services, with more deprived areas unable to raise additional revenue through council tax, the IFS said.

The institute said that the 2022-23 local government settlement indicated a change, as councils in more deprived areas are set to receive larger funding boosts than authorities in wealthier areas.

https://www.publicfinance.co.uk/news/2022/03/funding-reforms-key-levelling

#### Vast majority' of public bodies sign-up for local audit procurement

Almost all eligible public bodies in England have registered for the national auditor procurement scheme run by Public Sector Audit Appointments from 2023, the oversight body has announced

The body announced yesterday that 470 of the 475 qualifying bodies signed up to the scheme for the five-year accounting period from 2023-24 to 2027-28.

This was an increase of one percentage point over the previous accounting period, which runs until the end of 2023-24, PSAA added.

Steve Freer, PSAA chair, said: "We are very pleased that the vast majority of eligible local bodies have once again decided to put their faith in PSAA's scheme.

"In our view it makes particular sense for the sector to work together in a co-ordinated, collaborative scheme at a time when the local audit market is facing unprecedented challenges and risks affecting the supply of audit services and the delivery of timely audit opinions."

Stephen Sheen, managing director at local government adviser Ichabod's Industries, told PF that it was no surprise that more public bodies signed up for the procurement period.

https://www.publicfinance.co.uk/news/2022/03/vast-majority-public-bodies-sign-local-audit-procurement

#### Energy Company part-owned by Warrington Borough Council collapses

An energy company in which Warrington Borough Council invested £52m has gone bust.

Glasgow-based Together Energy today (Tuesday) joined the increasing number of small energy firms which have closed down due to an increase in wholesale gas prices.

The company announced the decision to cease trading with immediate effect on its website this afternoon.

It said: "Despite press reports, we did buy enough gas and electricity for your needs, but the sustained increase in wholesale prices and the securities required to continue to forward purchase the energy, have meant that it is untenable for us to continue."

The firm thanked customers for supporting its "commitment to providing employment and education opportunities to young people from disadvantaged areas".

In a statement, Warrington Borough Council said: "Our vision was to be part of a company that tackles the climate emergency by delivering 100% green energy to customers, contributes to reducing fuel poverty and provides local jobs in Warrington - particularly for those out of work or without formal qualifications - but the current market conditions are sadly not sustainable.

https://www.publicfinance.co.uk/news/2022/01/energy-company-part-owned-warrington-borough-council-collapses

## **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.		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.	objectives with some	A small number of exceptions found in testing of the procedures and controls.	
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address inyear.	controls is weakened with system objectives at risk of not being	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address inyear.	
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.

# FOR MORE INFORMATION: GREG RUBINS

greg.rubins@bdo.co.uk

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