



INTERNAL AUDIT PROGRESS REPORT

Maldon District Council

2023/2024

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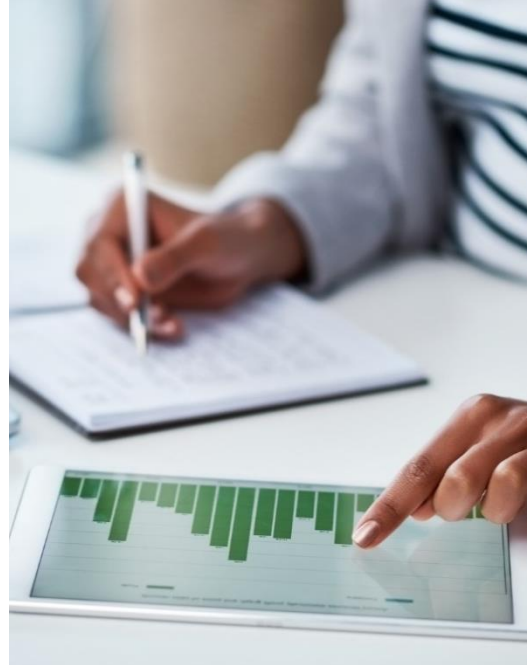
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SUMMARY OF 2023/2024 WORK

INTERNAL AUDIT

This report is intended to inform the Performance, Governance and Audit Committee of progress made against the 2023/2024 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.

2023/2024 INTERNAL AUDIT PLAN

Since our last update in November 2023, we have completed a further three audits from the 2023/24 internal audit plan and present the final reports to the Performance, Governance and Audit Committee alongside this progress report. These reports relate to:

- ▶ Housing Benefit
- ▶ Climate Change and Sustainability
- ▶ Homelessness and Temporary Accommodation

With regards to the remaining audits for the year:

- ▶ The Fraud review is currently at draft report stage, and we expect to finalise with management shortly. The final report will be presented at a future PGA Committee.
- ▶ There are two audits left to complete from the 2023/24 internal audit plan. Council Officers asked for the Workforce Management audit to be replaced by an audit of compliance with the CIPFA Financial Code and the final audit is of the Main Financial Systems. Both audits are scoped and agreed, however officers have asked for the audits to be pushed back to accommodate competing work priorities and fieldwork will commence for them on 26/02/2024 and 18/03/2024 respectively.
- ▶ We anticipate presenting the reports for these reviews at the July 2024 Performance, Governance and Audit Committee meeting, which will coincide with the presentation of our Annual Report and Head of Internal Audit Opinion.

REVIEW OF 2023/2024 WORK

AUDIT	AUDIT AND SCRUTINY COMMITTEE	PLANNING	FIELDWORK	REPORTING	DESIGN	EFFECTIVENESS
HMRC Employment Status	July 2023	✓	✓	✓	N/A - Advisory	N/A - Advisory
Equality, Diversity and Inclusion	November 2023	✓	✓	✓	N/A - Advisory	N/A - Advisory
Sickness and Absence Management	November 2023	✓	✓	✓	S	S
Management of s106 Funds	November 2023	✓	✓	✓	M	M
Licensing	November 2023	✓	✓	✓	M	M
Climate Change and Sustainability	March 2024	✓	✓	✓	S	S
Housing Benefit	March 2024	✓	✓	✓	S	M
Homelessness and Temporary Accommodation	March 2024	✓	✓	✓	M	M
Fraud	July 2024	✓	✓	✓		
CIPFA Financial Management Code	July 2024	✓				
Main Financial Systems	July 2024	✓				



SECTOR UPDATE

Our quarterly public sector 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, non-executive directors and governors.

SECTION 114 FEAR FOR ALMOST 1 IN 5 COUNCIL LEADERS AND CHIEF EXECUTIVES AFTER CASHLESS AUTUMN STATEMENT

Almost one in five council leaders and chief executives in England surveyed by the Local Government Association think it is very or fairly likely that their chief finance officer will need to issue a Section 114 notice this year or next due to a lack of funding to keep key services running.

Almost one in five council leaders and chief executives in England surveyed by the Local Government Association think it is very or fairly likely that their chief finance officer will need to issue a Section 114 notice this year or next due to a lack of funding to keep key services running.

The LGA estimates that councils in England face a £4 billion funding gap over the next two years just to keep services standing still but last month's Autumn Statement failed to provide the additional funding needed to protect services from further cuts.

This is despite councils of all political colours and types warning that growing demand and cost pressures are threatening their financial sustainability.

In 2024/25, councils will be able to increase general council tax by 3 per cent without the need for a referendum. Those with social care responsibilities will again be able to increase the adult social care precept by up to a further 2 per cent again.

This means that councils continue to face the tough choice about whether to increase council tax bills to bring in desperately needed funding to provide services when they are acutely aware of the significant burden that could place on some households.

The LGA survey - of council leaders and chief executives - also reveals:

- ▶ Half are not confident they will have enough funding to fulfil their legal duties next year (2024/25). This includes the delivery of statutory services.
- ▶ Nearly two thirds of council leaders and chief executives said there were no announcements in the Autumn Statement that they thought would help them deal with their council's financial position.

The LGA said the circumstances that have led to a Section 114 notice so far have been unique to each local area and the pressures they face.

However, all those that have had to curb spending in this way have faced the same underlying pressures - councils' core spending power falling by 27 per cent in real terms from 2010/11 to 2023/24, the impact of the pandemic, rising demand for services, in particular statutory services like social care and homelessness support, and the extra costs to provide them.

Section 114 fear for almost 1 in 5 council leaders and chief executives after cashless Autumn Statement | Local Government Association

'GOVE 'MINDED TO' APPOINT COMMISSIONERS AT NOTTINGHAM

Concerns over the financial stability of Nottingham City Council following its Section 114 notice has prompted levelling up secretary Michael Gove to propose appointing commissioners.

The Department for Levelling Up, Housing and Communities confirmed the proposed intervention, amid slow progress on reforms to improve governance and deliver financial stability.



The council has been working with an independent assurance and improvement board since January 2021, but the government is set to escalate the intervention.

If approved, the government will appoint three commissioners with powers to appoint and dismiss senior officers, oversee financial governance and progress on improvement plans.

Writing to the council, Max Soule, deputy director of local government stewardship at the department, said the authority is failing its best value duty, just two weeks after it published a Section 114 notice.

“The precarious nature of the authority’s finances, and its effect on overall transformation, together with outstanding governance issues are causes of serious concern,” he wrote.

“It is now vital that the pace of improvement is increased.” In its third and final report, the improvement board said the council’s financial position has worsened with limited reserves to mitigate a forecast £50m budget gap in 2024-25.

The team raised specific concerns over the ability to implement a transformation programme aimed at delivering financial stability.

<https://www.publicfinance.co.uk/news/2023/12/gove-minded-appoint-commissioners-nottingham>

FOR INFORMATION

For the Audit and Governance Committee Members and Executive Directors

BIRMINGHAM TO SEEK EXCEPTIONAL GOVERNMENT SUPPORT

The financial fallout from an equal pay dispute and the botched implementation of an IT system will lead Birmingham City Council to ask the government for permission to hike council tax above the referendum limit and for a capitalisation direction.

The authority’s financial position has worsened in recent weeks, mainly due to the need to use £40m of reserves to offset unachieved savings this year, finance director Fiona Greenway has revealed.

Her report, published ahead of a cabinet meeting, said the council will now need to make around £300m of savings (£100m more than forecast in November) over the next two years.

The council said it will seek government permission to raise council tax by more than the referendum limit (4.99% including the social care precept) next year.

It is also set to request a capitalisation direction, allowing the use of capital income to meet revenue expenses, to pay for a potential £760m equal pay liability, cover staff redundancy payments and fund next year’s forecast deficit. Greenway did not specify how many staff would leave the authority, but said the council will consult on voluntary and compulsory redundancies schemes.

Council leader John Cotton said: “We need to reset our finances, reset how we deliver our services, and reset the relationship with our residents, partners and staff.

“There can be no let-up in this work and the cabinet and leadership team will remain focussed on working with commissioners to get the council on a road to improvement.”

The authority issued a Section 114 notice in September, after its external auditors warned provisions for meeting the equal pay liability being understated in previous years’ accounts means its general fund reserves have been exhausted on an accounting basis.

<https://www.publicfinance.co.uk/news/2023/12/birmingham-seek-exceptional-government-support>

FOR INFORMATION

Audit and Governance Committee, Executive Directors, and Non-Executive Directors

LEEDS SETS ‘DIFFICULT’ £60M SAVINGS TARGET TO SAVE OFF S114

Social care now taking 70% of budget.

Frontline services are at risk at another council battling to balance the books.

Delivering almost £60m of savings next year will require “discipline and rigour” and be a challenge for Leeds City Council, the Local Government Association has said.

The council has forecast an overspend of almost £31m this year, and will need to make £59m of cuts to balance the budget in 2024-25.

In a progress report following a Corporate Peer Challenge last year, the LGA said the council will need to make difficult decisions about the scope of service, as social care accounts for 70% of overall spending.

The LGA said that while councillors and officers are open about the financial pressures, it is likely they will have to look at delivering services differently and whether the “traditional role of local government” is still feasible.

“The council will need a very clear plan for balancing the budget, with clear accountabilities for delivery across the organisation,” the report said.

“This will be challenging for everyone, both politically and managerially, as these savings will be difficult to achieve and will require discipline and rigour.”

Local leaders said the financial situation is worsened by relatively low reserve levels that could offset the impact not meeting the full savings target.

<https://www.publicfinance.co.uk/news/2023/12/leeds-sets-difficult-ps60m-savings-target-save-s114>

FOR INFORMATION

Audit and Governance Committee, Executive Directors, and Non-Executive Directors

COUNCIL UNCOVERS ‘GOVERNANCE FAILURES’ AMID FRAUD INVESTIGATION

Suspected fraud relating to a housing maintenance contract led Guildford Borough Council to uncover widespread governance issues in its housing service, and the authority is now carrying out a review.

The authority informed the police over fraud concerns with one of its housing maintenance contractors, after concerns were initially raised in July.

The council has since reviewed its contracts and subsequently given notice to terminate some agreements and paused some works to conduct further enquiries, a report published ahead of a special meeting of the corporate, governance and standards committee said.

During this work, officers found evidence of overspends and a lack of contract management, mainly linked to spending, compliance and delivery, the report said.

Monitoring officer Susan Sale said the council has made initial enquiries into “contract failures” to stop any potential wrongdoing and overspending.

She told the committee: “It has been identified that there have been governance failures within the organisation.

“We are now clear that there have been failures in aspects of management within the organisation, particularly in housing services’ financial controls and, particularly, procurement and contract management.

“We need to establish a further workstream, which would be an internal governance review team, to look at exactly how we have got to this position and to make recommendations and [an] action plan for implementation of how we go forward.”

<https://www.publicfinance.co.uk/news/2023/11/council-uncovers-governance-failures-amid-fraud-investigation>

FOR INFORMATION

Audit and Governance Committee, Executive Directors, and Non-Executive Directors

COUNCIL PERFORMANCE REVIEWS GET REFRESH

LGA consults on improvement and assurance framework.

A refresh of the oversight framework seeks to improve clarity around how councils deliver and evaluate services, the Local Government Association has said.

In its second consultation on the framework, the LGA said there is no single document that outlines all the elements of council assurance and how they all fit together.

The LGA said creating this single document would increase clarity and transparency within the sector, and improve understanding of how assurance and oversight works.

The consultation is seeking views on the principles of assurance and accountability, including performance monitoring against local targets, good quality data and clarity over the responsibilities of officers and councillors.

Abi Brown, chairman of the LGA’s Improvement and Innovation Board, said: “Feedback from our initial engagement was really helpful, and has helped us to extend our mapping of the improvement and assurance framework for local government, which hasn’t previously been written down anywhere.

“We are taking on board all comments received and now want to follow up with some more detailed questions about how the current framework can be improved.












“It’s important we hear the views of all councils, partners and all other stakeholders and I encourage everyone to engage with us, for the benefit of the whole of local government and the wider public.”

<https://www.publicfinance.co.uk/news/2023/11/council-performance-reviews-get-refresh>





FOR INFORMATION

Audit and Governance Committee, Executive Directors, and Non-Executive Directors

KEY PERFORMANCE INDICATORS





QUALITY ASSURANCE	KPI	RAG RATING
1. Annual Audit Plan delivered in line with timetable	We are on track to meet this KPI	
2. Actual days are in accordance with Annual Audit Plan	We are on track to meet this KPI	
3. Customer satisfaction report - overall score at least 3.5 for surveys issued at the end of each audit	Since 2021 the average score is 4.47.	
4. Annual survey to PGA committee to achieve score of at least 70%	To be sent at the end of the 2023/24 financial year.	
5. At least 60% input from qualified staff	We are on track to meet this KPI	
6. Issue of draft report within three weeks of fieldwork closing meeting	This KPI has been met for seven out of eight audits/reviews for 2023/24 to date. The one review where the target was not met was Management of s106 Funds.	
7. Finalise internal audit report one week after management responses to report are received	This KPI has been met for eight out of eight audits/reviews for 2023/24 to date	
8. 90% of recommendations to be accepted by management	This KPI has been met for eight out of eight audits/reviews for 2023/24 to date	
9. Information is presented in the format requested by the customer	This KPI has been met for eight out of eight audits/reviews for 2023/24 to date	
10. High quality documents produced by the auditor that are clear, concise and contain all the information requested	This KPI has been met for eight out of eight audits/reviews for 2023/24 to date	
11. Positive result from external review	Following an External Quality Assessment by the Institute of Internal Auditors in May 2021, BDO were found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards	

KEY FOR RAG RATING




	= met target		= partly met target
	= not met target		= not applicable

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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