

INTERNAL AUDIT PROGRESS REPORT

Maldon District Council

2023/2024 and 2024/25

CONTENTS

SUMMARY OF WORK..... 2

REVIEW OF 2023/2024 WORK 3

REVIEW OF 2024/2025 WORK 4

SECTOR UPDATE 5

KEY PERFORMANCE INDICATORS 8

APPENDIX 1 9



SUMMARY OF WORK

INTERNAL AUDIT

This report is intended to inform the Audit Committee of progress made against the 2023/2024 and 2024/2025 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 progress update in March 2024, we have completed the remaining reviews from the 2023/2024 internal audit plan and present the final reports to the Performance, Governance and Audit Committee alongside this progress report. These reports relate to:

- ▶ Fraud
- ▶ CIPFA Financial Code Compliance
- ▶ Main Financial Systems

2024/2025 INTERNAL AUDIT PLAN

















Since the Performance, Governance and Audit Committee approved the internal audit plan for 2024/25 at its last meeting in June 2024, we have made good progress in the delivery of the 2023/2024 and 2024/25 audit plan, and have commenced fieldwork on the following reviews:

- ▶ Health and Safety
- ▶ Capital and Commercial Project Management

We anticipate presenting these reports at future Performance, Governance and Audit Committee meetings.



REVIEW OF 2023/2024 AND 2024/254 WORK

AUDIT	PGA COMMITTEE	PLANNING	FIELDWORK	REPORTING	DESIGN	EFFECTIVENES S
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	✓	✓	✓		
Management of s106 Funds	November 2023	✓	✓	✓		
Licensing	November 2023	✓	✓	✓		
Climate Change and Sustainability	March 2024	✓	✓	✓		
Housing Benefit	March 2024	✓	✓	✓		
Homelessness and Temporary Accommodation	March 2024	✓	✓	✓		
Fraud	July 2024	✓	✓	✓	N/A - Advisory	N/A - Advisory
CIPFA Financial Management Code	July 2024	✓	✓	✓		
Main Financial Systems	July 2024	✓	✓	✓		

REVIEW OF 2023/2024 AND 2024/255 WORK

AUDIT	PGA COMMITTEE	PLANNING	FIELDWORK	REPORTING	DESIGN	EFFECTIVENES S
Health and Safety	November 2024	✓	✓			
Capital and Commercial Project Management	November 2024	✓	✓			
Business Continuity and Disaster Recovery	November 2024					
Health and Wellbeing	November 2024					
Contract Management	March 2025					
GDPR	March 2025					
Building Control	March 2025					
Asset Management	March 2025					
Main Financial Systems	March 2025					

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.

COUNCILS GIVEN POWER TO AUCTION OFF EMPTY HIGH STREET SHOPS

The government is to press ahead with new powers to allow the empty high street properties to be auctioned off despite “significant reservations” among local authorities over the proposals’ feasibility.

Under the plan, councils will be allowed to step in where a high street shop has been empty for over a year and auction off a rental lease for up to five years.

Auctions will take place with no reserve price, giving local businesses and community groups the opportunity to occupy space on the high street at a competitive market rate.

The policy, part of the Levelling-up and Regeneration Act 2023, is intended to reinvigorate struggling high streets by tackling the blight of empty premises.

“We want to bring high streets back to life and these new levelling up powers will help do just that,” said minister for levelling up Jacob Young.

“A lively high street brings an irreplaceable community spirit - one that is unique to its own area - along with new jobs and opportunities for local people.

“These new powers will enable local communities to take back control, backed by over £15bn of levelling up funding which is transforming towns and left-behind communities across the UK.”

The new power is to go ahead despite practical and resourcing challenges flagged up by councils during the consultation period.

A summary of responses to the consultation published by the government revealed “significant reservations” on the part of local authority officers over the feasibility of providing all the information required within the stated timeframe for the auction to take place, which could be as little as three to four weeks.

<https://www.publicfinance.co.uk/news/2024/05/councils-given-power-auction-empty-high-street-shops>

FOR INFORMATION

For the Audit Committee Members and Executive Directors

Skills shortages threaten UK’s major housing and infrastructure plans

MPs and planners warn lack of qualified staff and training are critical issues

Capacity for large-scale housing and infrastructure is being held back by a skills and retention crisis, new reports have warned.

Government targets for housing development - and the infrastructure to get sites ready - is limited by a lack of professional expertise in the public sector.

The Public Accounts Committee warned the government’s major projects portfolio of 244 projects, with an estimated total whole-life cost of £805bn, faces an uncertain future because of a lack the necessary skills and capacity to deliver them.

Years of cuts to training and development in the public sector and among the industry’s major players have created serious capacity issues.

MPs warned skills shortages in technical and engineering disciplines are set to worsen as gaps in the UK’s workforce are compounded by competition from major global development projects.

Project management and design are also areas of concern, and skilled professionals in senior positions in particular. The committee revealed that of 16,000 project professionals that need to gain accreditation from the government’s major project leadership academy, only 1,000 had done so.

The row over HS2, which was cut by the prime minister due to cost overruns, is just one example of the problems in getting major projects finished on time and on budget.

<https://www.publicfinance.co.uk/news/2024/05/skills-shortages-threaten-uks-major-housing-and-infrastructure-plans>

FOR INFORMATION

For the Audit Committee Members and Executive Directors

LGPS FUNDS NEED TO KEEP 'CLEAR VIEW' OF NET ZERO

Robustly analysing climate risks will be critical if local government pension scheme funds are to withstand intensifying regulatory pressure, local authorities have been told.

Pensions advisor Hymans Robertson warned that data would play a key role in ensuring LGPS funds have the depth of knowledge they need to understand their environmental and social impacts in the face of increased scrutiny.

New responsible investment milestones are forcing funds to develop a deep understanding of impact and natural capital, it said.

In particular, regulatory updates such as the framework from the Taskforce on Nature Related Financial Disclosures will demand increased reporting in the area.

The framework, launched last year, requires organisations to disclose how they integrate nature dependencies into their decision making.

Funds should be prepared to tweak their net zero plans on the basis of new insights to emerge from the data, the consultancy said.

"The long-term nature of the LGPS has meant that maintaining a clear view of their climate risks has been a top priority of funds for several years," said Iain Campbell, head of LGPS investment at Hymans Robertson.

"With the need to meet more and more regulatory requirements in this area, funds will find that data and its proper analysis will be a linchpin in achieving newer milestones as they emerge in the near future."

<https://www.publicfinance.co.uk/news/2024/04/lgps-funds-need-keep-clear-view-net-zero>

FOR INFORMATION

For the Audit Committee Members and Executive Directors

Guildford told to go 'back to basics' amid housing department fraud investigation

Serious failings uncovered at Guildford Borough Council in the wake of a criminal investigation into potential fraud in the council's housing department show it needs to get a grip of its culture and governance, a sector body has said.

Two independent reviews were commissioned by the council after concerns were raised over breaches in the letting and management of housing maintenance contracts, and the council said it has taken their recommendations on board.

A police probe, ongoing since last August, resulted in two employees being suspended and five agency workers having their contracts terminated.

A review by Solace in Business found "serious weaknesses" in the council's governance and management, including the stewardship of public money and the delivery of services for the public, had emerged over the last two years.

"The culture in the organisation allowed the serious failure to follow due process in the procurement and management of [contracts] in the housing maintenance service," it said.

A second Solace review, specifically on the governance of the housing department, said red flags had been raised when it became clear that the council had spent significantly more than the agreed contract value with a company carrying out maintenance work on the council's housing stock.

Concerns included duplicate invoices, work which was incomplete or of an unsatisfactory standard, and work being ordered which was either unnecessary or not the council's responsibility.

<https://www.publicfinance.co.uk/news/2024/05/guildford-told-go-back-basics-amid-housing-department-fraud-investigation>

FOR INFORMATION

For the Audit Committee Members and Executive Directors

The power of partnership

Norse group chief executive Justin Galliford makes the case for working together in the public sector amid the ongoing financial challenges.

The financial struggles of the past few years may have resulted in some high profile failures, but they have also highlighted the benefits of cooperation. Collaborative working is now clearly understood to be vital across all organisations in all sectors.

And nowhere is it more fundamental than in the functioning of local government and the wider public sector. With money so tight, we need to pool resources, share ideas and work together for the common good. Central government, industry and trade unions are now realising that they, and society, will only be able to operate effectively and efficiently by working towards shared aims.

Local government has a long tradition of collaboration; and we are seeing an increasing appetite for partnership working. Rochford District Council and Brentwood Borough Council provide a fine example. Their website, proudly displaying a "Two Councils, One Shared Vision" logo, provides strong support for collaborative working when they

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declare that, "while retaining their local identities both councils wish to harness their combined capacity to help shape their communities now and in the future."

Their commitment to residents and stakeholders, their willingness to capitalise on mutual opportunities, and their ability to pool resources are not unique to these councils. And this way of working is not confined to collaborations between local authorities.

<https://www.publicfinance.co.uk/sponsored-articles/2024/05/power-partnership>

FOR INFORMATION

For the Audit Committee Members and Executive Directors

Place is fundamental to ending deprivation cycle

Creating communities that offer a future is the best policy to tackling long-term inequalities, writes Jonathan Werran.

The best way to break the cycle of dependency issues and poor health outcomes isn't more money for treatment programmes - though it's badly needed. The starting point is creating an environment in which people thrive from the outset. Homes, schools, the local environment - or place, as most people call it.

Let's start by working from the premise that the fundamental issue is that there hasn't been enough funding for local communities over the past decade and a half. The current way in which we work is divisive and heaps inequalities upon inequalities.

A connection has long been made by policy and health researchers about what drives poor long-term health - housing, transport, work, personal finance, neighbourhoods and community.

We stated in our levelling-up report that local measures highlighting the social side of the government's policy are needed - neighbourhood and public spaces that create purpose. In short, community matters.

The long view

Level Measures called for consistent, long-term funding to unlock the efficiencies that planning services over an extended timeframe can provide. We urged the formation of council-led placemaking boards with local partners and key stakeholders to provide input into strategy and delivery. And we called for a long-term view towards re-establishing 'whole-place' budgets as a universal standard.

Our other policy recommendation was that councils should enjoy revenue support for their neighbourhood service provision, combined with money allocated through capital pots into a single placemaking budget.












There are two other factors. Trust between levels and tiers of government has to improve. Knowledge of what local government does - and how - remains too limited in Whitehall, but trust must also be fostered between councils that share delivery responsibilities across tiers. Neither can we leave out employers or charities. We need partnership frameworks, based on long-term strategic goals that maximise local value. Work with the private and the third sectors should be relational and strategic, with priorities for residents clearly spelled out and delivered by all partners.

<https://www.publicfinance.co.uk/opinion/2024/04/place-fundamental-ending-deprivation-cycle>

FOR INFORMATION





For the Audit Committee Members and Executive Directors

KEY PERFORMANCE INDICATORS




QUALITY ASSURANCE	KPI	RAG RATING
1. Annual Audit Plan delivered in line with timetable	We have met this for 23/24 and as per the above reporting, have a plan to remain on track to deliver this for 2024/25.	
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 received on satisfaction surveys is 4.47.	
4. Annual survey to PGA committee to achieve score of at least 70%	This will be issued following the presentation of the annual report.	
5. At least 60% input from qualified staff	We met this KPI throughout 2023/24 and with our planned resources, will meet this KPI during 2024/25.	
6. Issue of draft report within three weeks of fieldwork closing meeting	This KPI has been met for 10 out of 11 audits/reviews for 2023/24. 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 11 out of 11 audits/reviews for 2023/24.	
8. 90% of recommendations to be accepted by management	This KPI has been met for 11 out of 11 audits/reviews for 2023/24.	
9. Information is presented in the format requested by the customer	This KPI has been met for 11 out of 11 audits/reviews for 2023/24.	
10. High quality documents produced by the auditor that are clear, concise and contain all the information requested	This KPI has been met for 11 out of 11 audits/reviews for 2023/24.	
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.	

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:

AARON WINTER

Arron.Winter@bdo.co.uk

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