

INTERNAL AUDIT PROGRESS REPORT

Maldon District Council

2024/25

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SUMMARY OF WORK

INTERNAL AUDIT

This report is intended to inform the Audit Committee of progress made against the 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.

2024/2025 INTERNAL AUDIT PLAN

Since our last progress update in July 2024 and following the approval of the 2024/25 internal audit plan at the June 2024 Performance, Governance and Audit Committee meeting, we have completed the following review and present the final report to the Committee alongside this progress report:

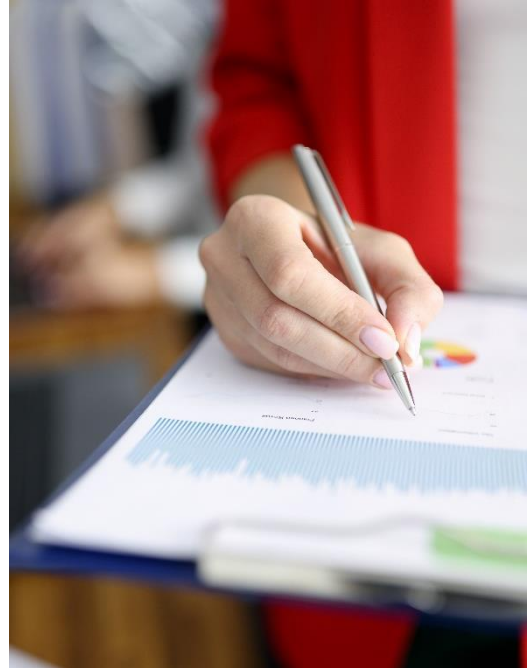
- ▶ Health and Safety

We have also made good progress in the delivery of the 2024/25 audit plan, and have commenced fieldwork on the following reviews:

- ▶ Capital and Commercial Project Management
- ▶ Business Continuity and Disaster Recovery
- ▶ Health and Wellbeing
- ▶ Contract Management
- ▶ GDPR

Fieldwork for the majority of these reviews commenced in October 2024. There has been a slight delay in completing the Capital and Commercial Project Management audit, however following engagement between us and management this has progressed and is nearing completion. We anticipate presenting these reports at future Performance, Governance and Audit Committee meetings.

The remaining reviews from the 2024/2025 plan (Building Control, Asset Management and Main Financial Systems) are scheduled to start in January 2025. Planning/scoping for Building Control and Asset Management has already commenced, with Main Financial Systems to follow shortly.



REVIEW OF 2024/25 WORK

AUDIT	PGA COMMITTEE	PLANNING	FIELDWORK	REPORTING	DESIGN	EFFECTIVENESS
Health and Safety	December 2024	✓	✓	✓	M	L
Capital and Commercial Project Management	March 2025	✓	✓			
Business Continuity and Disaster Recovery	March 2025	✓	✓			
Health and Wellbeing	March 2025	✓	✓			
Contract Management	March 2025	✓	✓			
GDPR	March 2025	✓	✓			
Building Control	March 2025	✓				
Asset Management	July 2025	✓				
Main Financial Systems	July 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.

FIVE STEPS TO RENEW OUR PUBLIC SERVICES

CIPFA chief economist Jeffrey Matsu sets out the approach the new government should take to restoring public services

The future health of our public services is now in the hands of a new labour government. public services touch the lives of everyone, every day, from social care and schools through to bin collections and the criminal justice system.

The UK spends a vast sum of £800bn, or around £11,000 per person, on this vital infrastructure. but our public services are buckling under immense pressures from rising demand and higher costs.

Following years of underinvestment, services are slow and unreliable. From GP and hospital waiting lists to courts and prisons, backlogs and delays have become the norm.

Eight of the nine services covered in our latest performance tracker were performing worse on the eve of the pandemic than they were in 2009-10. conditions have since deteriorated.

Nurses, junior doctors and teachers have all taken unprecedented industrial action in protest at low pay and poor working conditions as services struggle with ongoing staff shortages.

While these problems have been intensified by a trifecta of negative shocks - the pandemic, the cost-of-living crisis and Brexit - they are not new. it is a bleak picture and one that needs immediate attention from the incoming government. Fortunately, the prime minister has galvanised public support with a mandate for change.

There are no easy fixes, but five steps can help Kier Starmer 'kick-start economic growth' and rebuild the country.

First, labour must take a whole system approach to public services if it is to create a sustainable, efficient sector fit for the future. This requires a shared vision across government for the outcomes it wants the public sector to deliver.

Funding some parts of the public sector while systematically under-resourcing others shifts demand pressures while creating problems further downstream. Bottlenecks in the health and care, criminal justice and local government systems are the most obvious examples.

Expecting unprotected departments to stomach real-term spending cuts of 4% without consequences would be wishful thinking.

Second, prioritise the review of local government funding with an independent commission to depoliticise decision-making and establish a fair finance system that supports local decision making.

<https://www.publicfinance.co.uk/2024/07/five-steps-renew-our-public-services>

FOR INFORMATION

For the Performance, Governance and Audit Committee Members and Executive Directors

DISTRICTS WANT COUNCIL TAX FLEXIBILITY, DEVOLUTION AND OTHER POWERS FROM NEW GOVERNMENT

Council Tax referendum limits should be raised to at least 10% next year as a first step to scrapping them altogether, district councils have said

The measure is part of an ambitious package of proposals aimed at securing the financial sustainability of district councils and giving them the freedom and flexibility to transform local areas.

In a prospectus, the District Council Network is calling for a permanent commitment to multi-year settlements and a radical streamlining of one-off capital and revenue funding pots, with competitive bidding replaced by larger, more flexible sources of funding which maximise local discretion.

All formula-based specific grants should be rolled into the main local government finance settlement, the group says.

It also wants to see greater local control over business rates, with councils retaining 75% of receipts, and local housing authorities handed all additional income generated by the council tax supplement on second homes.

FIVE STEPS TO RENEW OUR PUBLIC SERVICES

CIPFA chief economist Jeffrey Matsu sets out the approach the new government should take to restoring public services

A wider shake-up of fiscal devolution is needed to help districts raise the income needed to regenerate high streets and town centres, it says, and new sources of local revenue such as tourist taxes should be easier to introduce.

The group argues that district councils have taken a disproportionate hit in recent years, with their core spending power having dwindled by 15% in real terms since 2015, compared with an 11% increase for local government as a whole.

In response, they had no choice but to deliver 10% in savings and service cuts to balance their budgets last year, it said.

“By forging a strong partnership between district councils and central government, we can secure the long-term sustainability of district funding... and deliver the financial freedoms and flexibilities that will allow districts to respond to the local needs we are uniquely placed to identify,” it said.

Elsewhere in the prospectus, districts set out how they can accelerate the delivery of new homes, boost the supply of social and affordable housing and prevent homelessness.

<https://www.publicfinance.co.uk/news/2024/07/districts-want-council-tax-flexibility-devolution-and-other-powers-new-government>

FOR INFORMATION

For the Performance, Governance and Audit Committee Members and Executives Directors

REPORT: ENGLAND’S SOCIAL HOUSING WAITING LISTS WOULD COSTS OVER £200BN TO ADDRESS

Building enough homes to house everyone on England’s social housing waiting lists would cost more than is spent each year on the NHS, according to a report from a property consultancy.

The cost to house the nearly 1.3 million households currently waiting would be £205bn, the paper from JLL found, which authors said should demonstrate to politicians the scale of the issue the next government will inherit.

And this assumes land could be provided by local or national government at zero cost, with an average build cost of £160,000.

“Pressure on social housing waiting lists in England has been building for some time and we have reached crisis point,” said director of UK residential research at JLL, Marcus Dixon.

“Overall development has been slow in the past few years and has fallen short of targets, heaping more pressure on waiting lists.”

The report suggested there is due to be a shortfall of 570,000 homes between 2024 and 2028, compared with a 300,000-per-year target.

This is particularly bad for those on waiting lists in London, where lists make up the equivalent of 9.5% of all households, compared with the national average of 5.5% - but the situation in the North East (6.5%), North West (6.5%) and Yorkshire and the Humber (6.4%) are also difficult.

JLL called on the next government to scrap Right to Buy, the policy that forces councils to sell off existing social homes and lowers the stock (by 10,000 nationally in 2023 alone).

“Additionally, political parties need to be honest about the barriers preventing large scale housebuilding and set realistic development targets” said Dixon.

“Without doing so, voters will be trapped in a cycle of disappointment when the government of the day fails to deliver on its promises.”

Report: England’s social housing waiting lists would cost over £200bn to address | Public Finance

FOR INFORMATION

For the Performance, Governance and Audit Committee Members and Executive Directors

Tewkesbury Borough Council cyber attack

On September 4, 2024, Tewkesbury Borough Council In Gloucestershire Experienced A Significant Cyberattack, Resulting In A Major Disruption To Its Operations

What Happened?

Unusual activity was detected on the council's IT systems, prompting the Council to shut down its online services as a precaution. This action was intended to prevent the spread of the attack and safeguard sensitive data

Essential services like waste collection continued through partner organisations, but many online systems, including access to planning applications and Council meeting minutes, were taken offline. The Council is working closely with the National Cyber Security Centre (NCSC) and other agencies to investigate the breach and assess the damage.

How and Why It Happened?

While the specific details regarding the type of attack (such as ransomware, phishing, or malware) have not yet been disclosed, it is part of an increasing trend of cyberattacks targeting local governments. Such attacks often exploit vulnerabilities in outdated systems, unpatched software, or human error (e.g., phishing emails).

On other note, Gloucester City Council experienced a similar attack in 2021, which resulted in significant long-term disruptions. That attack highlighted vulnerabilities in local government IT systems and led to extensive costs, nearly £1 million, for recovery.

This event serves as a reminder of the growing threats to public sector entities and the need for ongoing investments in cybersecurity infrastructure and training.

Key areas to focus:












To reduce the risk of future cyberattacks, organisations, especially in the public sector, should adopt comprehensive cybersecurity measures:

1. **Regular Backups:** Maintain up-to-date, off-site backups to ensure systems can be restored in the event of an attack.
2. **Patch Management:** Regularly update software and apply security patches to close vulnerabilities.
3. **Multi-layered Defence:** Employ firewalls, intrusion detection systems (IDS), and encryption to protect networks and sensitive data.
4. **Employee Training:** Provide regular cybersecurity training to staff to help them recognise phishing attempts and other common threats.
5. **Incident Response Plan:** Develop a robust incident response plan to quickly contain breaches and minimise damage.
6. **Collaboration with Cybersecurity Agencies:** Local governments should maintain strong relationships with national cybersecurity agencies like the NCSC to respond effectively to incidents and leverage expert support

FOR INFORMATION





For the Performance, Governance and Audit Committee Members and Executive Directors

KEY PERFORMANCE INDICATORS




QUALITY ASSURANCE	KPI	RAG RATING
1. Annual Audit Plan delivered in line with timetable	We 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 was issued following the presentation of the annual report. We are awaiting responses.	
5. At least 60% input from qualified staff	We are on target to meet this KPI during 2024/25.	
6. Issue of draft report within three weeks of fieldwork closing meeting	This KPI has been met for the one completed audit for 2024/25.	
7. Finalise internal audit report one week after management responses to report are received	This KPI has been met for the one completed audit for 2024/25.	
8. 90% of recommendations to be accepted by management	This KPI has been met for the one completed audit for 2024/25.	
9. Information is presented in the format requested by the customer	This KPI has been met for the one completed audit for 2024/25.	
10. High quality documents produced by the auditor that are clear, concise and contain all the information requested	This KPI has been met for the one completed audit for 2024/25.	
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:

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