

Agenda

| | |
|--------------------------|---|
| Meeting name | Meeting of the Audit and Standards Committee |
| Date | Monday, 14 December 2020 |
| Start time | 6.30 pm |
| Venue | This meeting will be held by remote access - details below |
| Other information | This meeting is open to the public |

Members of the Audit and Standards Committee are summoned to the above meeting to consider the following items of business.

Edd de Coverly
Chief Executive

Membership

Councillors J. Douglas (Chair)
 T. Bains
 R. Child
 M. Glancy
 R. Smedley

J. Wilkinson (Vice-Chair)
 P. Chandler
 C. Fisher
 A. Hewson

Quorum: 5 Councillors

| | |
|--------------------------|-------------------------|
| Meeting enquiries | Democratic Services |
| Email | democracy@melton.gov.uk |
| Agenda despatched | Friday, 4 December 2020 |

| No. | Item | Page No. |
|-----|---|----------|
| | <p>REMOTE MEETING JOINING INSTRUCTIONS Remote meeting arrangements</p> <p>Meeting Participants:</p> <p><u>Zoom video conferencing webinar:</u> An invitation will be sent to Members for this meeting</p> <p>Public Access:</p> <p>You Tube: View the Audit and Standards Committee Meeting here</p> | |
| 1. | APOLOGIES FOR ABSENCE | |
| 2. | <p>MINUTES To confirm the minutes of the meeting held on 29 September 2020.</p> | 1 - 6 |
| 3. | <p>DECLARATIONS OF INTEREST Members to declare any interest as appropriate, in respect of items to be considered at this meeting.</p> | 7 - 8 |
| 4. | <p>INTERNAL AUDIT UPDATE The Head of Internal Audit to submit a report to update Members on the progress made in delivering the 2020/21 Internal Audit Plan and key findings arising from audit assignments completed.</p> | 9 - 26 |
| 5. | <p>BI-ANNUAL COUNTER FRAUD UPDATE The Head of Internal Audit to submit a report to update Members on counter fraud activity.</p> | 27 - 30 |
| 6. | <p>INTERNAL AUDIT PLAN DEVELOPMENT FOR 2021/22 The Head of Internal Audit to submit a report on the development of the Internal Audit Plan 2021/22.</p> | 31 - 34 |
| 7. | <p>URGENT BUSINESS To consider any other items that the Chair considers urgent.</p> | |

Minutes

| | |
|---------------------|---|
| Meeting name | Audit and Standards Committee |
| Date | Tuesday, 29 September 2020 |
| Start time | 6.30 pm |
| Venue | This meeting will be held by remote access - details below |

Present:

Chair Councillor J. Douglas (Chair)

Councillors J. Wilkinson (Vice-Chair) P. Chandler
 R. Child C. Fisher
 M. Glancy A. Hewson
 D. Pritchett R. Smedley

Observers H. Henshaw, External Audit

Officers Director for Corporate Services
 Director for Governance and Regulatory Services and Monitoring Officer
 Head of Internal Audit
 Democratic Services Manager
 Democratic Services Officer (HA)

| Minute No. | Minute |
|------------|---|
| 48 | <p>Apologies for Absence There were no apologies received for this meeting.</p> |
| 49 | <p>Minutes The Minutes of the meeting held on 28 July 2020 were confirmed and authorised to be signed by the Chair.</p> <p>Councillor Jeanne Douglas, Chair, lost remote connection to the meeting at this point. Councillor Wilkinson, Vice Chair, took the Chair of the meeting.</p> |
| 50 | <p>Declarations of Interest Councillor Chandler wished to make it clear that she has no interest in Melton Cattle Market as a consumer.</p> |
| 51 | <p>Internal Audit Update The Head of Internal Audit provided a report to update Members on the work of the Internal Audit team providing an update on the implementation of audit recommendations.</p> <p>During the discussion the following points were raised:</p> <ul style="list-style-type: none"> • The Head of Internal Audit advised that the majority of the overdue audits in Appendix C relate to the Housing Directorate and are now being consistently followed up by the Director of Housing and Communities. • The Head of Internal Audit gave the following update from the Director of Housing and Communities in regard to the Asbestos Survey action, as the revised date was to be September 2020: <i>'In relation to data management, we continue to audit and quality check data and bring together all records from contractors ready to populate the housing asset management system, this shows there are now 46 properties with no asbestos survey compared to 441 in November 2019. We are looking at our planned work streams using them as a basis to co-ordinate new and refreshed older surveys once this has been completed, this work will order the remaining surveys with revised targets for this work for November 2020.'</i> • Concerns were raised about the level of support to the Leisure provider and whether the level of payments can be sustained. The Director for Corporate Services referred Members to the exempt report recently taken to Cabinet which sets out the details of how the support is made up and the financial implications for the Council. • An update was requested on the current position with the balances from the Covid outbreak and any losses incurred. The Director for Corporate Services referred Members to the comprehensive report taken to Cabinet recently which set out the financial position to date and the financial position for 2019.20 taking into account the savings made to offset the financial implications of Covid. |

- In response to an enquiry regarding fraudulent business grant claims, the Head of Internal Audit advised she was aware of one business which had been reported to the relevant central government department for investigation.
- In response to a question regarding the Right to Buy Policy, the Director for Governance and Regulatory Services advised that the capacity for Covid 19 had meant it had not been possible to complete the policy though processes have improved and that other policies including Rent Setting, Aids and Adaptations and Voids had taken precedence.

RESOLVED that:

The Committee **NOTED** the contents of the Internal Audit Update Report.

Councillor Douglas resumed the Chair following this item.

52

Internal Audit Plan

The Head of Internal Audit provided Members with a copy of the draft Internal Audit Plan for 2020/21 for review and formal approval which had been reviewed and amended in light of the changing risk environment during the financial year to date.

During the discussion the following points were noted:

The Head of Internal Audit advised Members that Internal Audit had been assisting with additional work in relation to spending and governance during the pandemic response, as well as around business grant fraud work and may continue with some of this work for the foreseeable future.

The Head of Internal Audit advised that a paper would be brought to the November Audit and Standards meeting for the Audit Planning Process 2021-22 for the Committee to discuss.

- In response to a query regarding the total audit days remaining, the Head of Internal Audit advised that this related to a reduction in the number of days required for the audit of the Life Line service which had had been included on a general contingency code.
- In response to a query regarding additional support concerning the Cemetery, the Director for Corporate Services advised that the Council had sought assurances from Internal Audit that the processes and procedures in place were robust.
- In response to a query regarding the progress of the Cattle Market audit the Head of Internal Audit advised that the Cattle Market review is still ongoing and would be updated at Committee later in the year.
- Following concerns raised regarding the loss of income at the cattle market over the coming year as cattle are now being sold deadweight, the Director for Corporate Services advised that the forecast for the year showed that the income generated would be down and that the Council would only be taking base rate commission, there is a provision in the contract of a minimum amount that has to be paid. The Council would then be eligible to make an income compensation claim from the Government for 75% of 95 % of the loss.

- The Head of Internal Audit advised that internal audit had been looking at all Council spending on a weekly basis including all orders, invoices and all payroll data but this has now been reduced to bi weekly.. The Director for Corporate Services advised that the Council had had to respond quickly to decision making due to the restrictions of Covid, and urgent decisions were made under delegated authority and/or emergency powers. Due to a different way of working ie remote working, controls could break down, therefore, internal audit were asked to be involved for assurance that those urgent decisions had been made in the right way and also helped to provide additional capacity and resources in an area where/when it was needed.

RESOLVED that:

- 1) The Committee reviewed and **APPROVED** the revised Internal Audit Plan for 2020/21
- 2) The Committee agreed to **DELEGATE AUTHORITY** to the Director for Corporate Services, in consultation with the Chair of the Audit and Standards Committee, to agree amendments to the Internal Audit Plan during the financial year if required to do so.

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Risk Management Annual Report 2020

The Director for Corporate Services provided a report to update Members on the Risk Management arrangements outlining the current significant risks that had been captured on the recent review of the Council's strategic risk register by the Senior Leadership Team.

During the discussion the following points were noted:

- The Director for Corporate Services advised that Appendix A showed the high level risks that are reviewed by Senior Leadership team twice a year and advised that lower risks are reviewed at project management or service level.
- In response to a query regarding sufficient resources to provide significant financial stability to keep procedure rules in place, the Director for Corporate Services advised that there was a high risk around the future financial stability of the Council as it is not known yet how much government support the Council would get.
- The Director for Governance and Regulatory Services advised that that there were now systems in place for better data control regarding housing functions and risks and that there is now an officer in post to deal with data management on a day to day basis.
- Following a concern regarding the risk for GDPR and staff using their own equipment to work from the home, the Director for Governance and Regulatory Services advised that staff were only using their own equipment for Zoom meetings and that a data protection impact assessment had been completed when the enhanced Zoom account was procured.
- In response to a query about the New Homes' bonus payment and the Fair Funding Review and whether these were being phased out, the Director for Corporate Services advised that the Council had been under the impression

that the payment for the New Homes' Bonus which had been received this year was due to be the last, however, the Council has now received the documents from Government to complete in relation to the number of new houses that have been built and noted that the document was still collecting the data that was required for the new homes' bonus so it may be that Government are considering paying it for one more year. The Director for Corporate Services also advised that the Fair Funding Review had been delayed again this year and that it wouldn't be coming in from April next year and the spending review which would normally have taken place over the summer had also been deferred until at least the autumn.

RESOLVED that:

Members **NOTED** the content of the report, the updated Strategic Risk Register and the associated risk management plan as attached at Appendix A.

| | |
|----|--|
| 54 | <p>Implementation of Best Practice Recommendations from the Committee on Standards in Public Life</p> <p>The Monitoring Officer provided a report to update Members on how the Council is implementing best practice recommendations derived from the findings of the Committee on Standards in Public Life review of local government ethical standards.</p> <p>During the discussion the following points were noted:</p> <p>The Monitoring Officer advised that the an action plan had been put together at Appendix A and will be brought back to Committee in 6 months time for Members to monitor the progress.</p> <p>RESOLVED that:</p> <p>Members NOTED the Action Plan for implementing the best practice recommendations as set out at Appendix A.</p> |
| 55 | <p>Urgent Business</p> <p>There was no urgent business to discuss.</p> |

The meeting closed at: 7.36 pm

Chair

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Advice on Members' Interests

PERSONAL AND NON-PECUNIARY INTERESTS

If the issue being discussed affects you, your family or a close associate more than other people in the area, you have a personal and non-pecuniary interest. You also have a personal interest if the issue relates to an interest you must register under paragraph 9 of the Members' Code of Conduct.

You must state that you have a personal and non-pecuniary interest and the nature of your interest. You may stay, take part and vote in the meeting.

PERSONAL AND PECUNIARY INTERESTS

If a member of the public, who knows all the relevant facts, would view your personal interest in the issue being discussed to be so great that it is likely to prejudice your judgement of the public interest and it affects your or the other person or bodies' financial position or relates to any approval, consent, licence, permission or registration then **you must state that you have a pecuniary interest, the nature of the interest and you must leave the room***. You must not seek improperly to influence a decision on that matter unless you have previously obtained a dispensation from the Authority's Audit and Standards Committee.

DISCLOSABLE PECUNIARY INTERESTS AND OTHER INTERESTS

If you are present at any meeting of the Council and you have a disclosable pecuniary interest in any matter to be considered or being considered at the meeting, if the interest is not already registered, you must disclose the interest to the meeting. You must not participate in the discussion or the vote and you must leave the room.

You may not attend a meeting or stay in the room as either an Observer Councillor or *Ward Councillor or as a member of the public if you have a pecuniary or disclosable pecuniary interest*.

BIAS

If you have been involved in an issue in such a manner or to such an extent that the public are likely to perceive you to be biased in your judgement of the public interest (bias) then you should not take part in the decision-making process; you should leave the room. **You should state that your position in this matter prohibits you from taking part.** You may request permission of the Chair to address the meeting prior to leaving the room. The Chair will need to assess whether you have a useful contribution to make or whether complying with this request would prejudice the proceedings. A personal, pecuniary or disclosable pecuniary interest will take precedence over bias.

In each case above, you should make your declaration at the beginning of the meeting or as soon as you are aware of the issue being discussed.*

*There are some exceptions – please refer to paragraphs 3.12(2) and 3.12(3) of the Code of Conduct

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Audit and Standards

14 December 2020

Report of: Head of Internal Audit

Internal Audit Progress Report

| | |
|--|----------------|
| Corporate Priority: | All |
| Relevant Ward Member(s): | All |
| Date of consultation with Ward Member(s): | Not applicable |
| Exempt Information: | No |

1 Summary

- 1.1 The report updates Members on progress made in delivering the 2020/21 Internal Audit Plan and key findings arising from audit assignments completed

RECOMMENDATION(S)

That Committee:

1. Note the report and progress made by the Internal Audit team in the delivery of the Audit Plan.

2 Reason for Recommendations

- 2.1 To inform the committee on progress made by Internal Audit on plan delivery and outcome of assignments.

3 Background

- 3.1 The Audit and Standards Committee approved the revised Audit Plan for 2020/21 at the meeting in September 2020.

4 Main Considerations

- 4.1 The progress achieved to date in delivering the 2020/21 Audit Plan is set out in Appendix A. At the time of reporting, 75% of planned assignments are either complete or in progress and one audit report has been finalised.

4.2 The key findings of the audit assignments completed to date are provided within Appendix A.

4.3 At the date of reporting, there are 27 agreed management actions which are overdue for implementation. Further details are provided in Appendix A.

5 Consultation

5.1 Not applicable.

6 Next Steps – Implementation and Communication

6.1 The regular update reports from Internal Audit should allow the Committee to develop independent assurance about the quality of the Council’s internal control framework.

7 Financial Implications

7.1 There are no financial or other resource implications arising directly from this report.

Financial Implications reviewed by: Director for Corporate Services

8 Legal and Governance Implications

8.1 Internal Audit is a statutory requirement as required under the Accounts and Audit Regulations 2015 which state “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Legal Implications reviewed by: Monitoring Officer - 03.12.20

9 Equality and Safeguarding Implications

9.1 There are no equalities or safeguarding implications arising directly from this report.

10 Community Safety Implications

10.1 There are no community safety implications arising directly from this report.

11 Environmental and Climate Change Implications

11.1 There are no environmental and climate change implications arising directly from this report.

12 Other Implications (where significant)

12.1 There are no other implications arising directly from this report.

13 Risk & Mitigation

13.1 The annual Internal Audit report forms part of the evidence that supports the Council’s Annual Governance Statement and provides assurance over the adequacy and effectiveness of the Council’s internal controls to manage the key risks and inform risk management arrangements.

14 Background Papers

14.1 Not applicable

15 Appendices

15.1 Appendix A: Internal Audit Update – December 2020

| | |
|---------------------------------------|--|
| Report Author: | Rachel Ashley-Caunt , LGSS Head of Internal Audit |
| Report Author Contact Details: | 07824 537900 RAshley-Caunt@rutland.gov.uk |
| Chief Officer Responsible: | Dawn Garton , Director for Corporate Services |
| Chief Officer Contact Details: | 01664 502444 DGarton@melton.gov.uk |

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MELTON BOROUGH COUNCIL

INTERNAL AUDIT UPDATE

DECEMBER 2020

Date: 14th December 2020

Introduction

- 1.1 LGSS provides the internal audit service for Melton Borough Council and has been commissioned to provide 235 audit days to deliver the 2020/21 Annual Audit Plan and undertake other work commissioned by the client.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Audit and Standards Committee to scrutinise the performance of the Internal Audit Team and to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the Consortium.

Performance

2.1 Will the Internal Audit Plan for 2020/21 be delivered?

LGSS is set the objective of delivering at least 90% of the Internal Audit plans to draft report stage by the end of March 2021.

At the time of reporting, 75% of the Audit Plan is either complete or in progress. This is despite the Internal Audit team avoiding any fieldwork which could present unnecessary pressures or diversion of resource during the pandemic response.

Progress on individual assignments is shown in Appendix 1.

2.2 Are audits being delivered to budget?

Internal Audit is on target to deliver the Audit Plan within the 235 days budget. Any overruns on individual assignments are managed within the overall budget.

2.3 Are clients satisfied with the quality of the Internal Audit assignments?

Responses received to the Customer Satisfaction Questionnaire show that clients have rated all aspects of the audit assignments completed during the year to date as 'good' or 'outstanding'. A summary of the responses is provided in Appendix 2.

2.4 Is the Internal Audit team achieving the expected level of productivity?

As at the time of reporting, the team had been delivering 93% productivity, against the target set of 90%.

2.5 Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?

At the time of reporting, the following audit from the 2020/21 audit plan has been finalised:

Rent arrears

The proper, effective and efficient collection and monitoring of rent arrears from housing tenants supports a number of the Council's key priorities, including delivering quality services to residents. The Council has a housing stock of approximately 1800 properties and total rent arrears of approximately £660k, representing around 9% of the annual rent debit.

The Council's Rent Arrears policy was last updated in April 2019, and whilst it did not contain version control or have details of former tenants' processes after court action had been instigated, it was sufficient in detail in all other areas. Almost all processes and procedures were documented in sufficient detail to ensure that they were fit for purpose, however there were no write off procedures for older and higher arrears. The overall level of arrears reduced in 2019/20 but, before the Covid-19 pandemic, remained higher than national averages. Sample testing identified that in all cases, the correct recovery action was being taken for the stage of recovery, and that recovery was generally timely and appropriate, though in some former tenant arrears cases, there was some delayed action due to court functions being affected by the Covid-19 pandemic.

Notice to Seek Possession processes and advice/guidance to tenants were in line with legislative guidelines and sample testing highlighted that key controls are operating as intended in both areas.

Northgate system user set up processes were found to be outdated, with a possibility of users having access to more functionality than is required for their role. Therefore, a review of current user job roles and a record of clear user profiles for differing levels of access would assist in reducing the risk to data and access controls.

Whilst monthly performance monitoring is conducted for rent arrears, improvements could be made in reporting arrears targets to SLT and members. This would place more focus on arrears targets and enable effective monitoring.

Based upon the findings, Internal Audit has given the following assurance opinions over the management of the associated risks:

| Assurance Opinion | | |
|------------------------------|--------------|---|
| Control environment | Satisfactory | ● |
| Compliance | Good | ● |
| Organisational impact | Minor | ● |

Members can request copies of all final Internal Audit reports from the Head of Internal Audit or Director for Corporate Services at any time.

2.6 **Are clients progressing audit recommendations with appropriate urgency?**

Since the last committee meeting, three actions from audit reports have been completed by officers. At the date of reporting, there are 27 agreed management actions which are overdue

for implementation. An analysis of the implementation of actions is provided in Appendix 3. There are seven actions which were assessed as 'High' priority which have been overdue for more than three months – full details are provided in Appendix 4.

Appendix 1: Progressing the Annual Internal Audit Plan

KEY
Current status of assignments is shown by 

| Assignment | Budget | Actual | Not Started | Planning | Field Work Underway | Field Work Complete | Draft Report | Final Report | Control Environment | Compliance | Org Impact | Comment |
|---|--------|--------|-------------|----------|---------------------|---------------------|--------------|--------------|--------------------------------|------------|------------|---------|
| Corporate Governance & Counter Fraud | | | | | | | | | | | | |
| Procurement compliance | 10 | 0.5 | | ● | | | | | | | | |
| Ethics and equalities | 10 | 10 | | | | ● | | | | | | |
| Key Corporate Controls & Policies | | | | | | | | | | | | |
| Key Financial Controls | 15 | 1 | | | ● | | | | | | | |
| Financial management code (consultancy) | 12 | 3 | | | ● | | | | | | | |
| Budgetary control | 12 | - | ● | | | | | | | | | |
| Corporate Objective: Shaping places | | | | | | | | | | | | |
| Cattle Market | 18 | 16 | | | | | ● | | | | | |
| Cemetery consultancy support | 5 | 5 | | | | | | ● | N/A Consultancy support | | | |
| Corporate Objective: Great Council | | | | | | | | | | | | |
| Asset management | 15 | 0.5 | | ● | | | | | | | | |




| Assignment | Budget | Actual | Not Started | Planning | Field Work Underway | Field Work Complete | Draft Report | Final Report | Control Environment | Compliance | Org Impact | Comment |
|--|--------|--------|-------------|----------|---------------------|---------------------|--------------|--------------|---------------------|------------|------------|-----------------|
| Lifeline income | 3 | 0.5 | | | ● | | | | | | | |
| Corporate Objective: Helping People | | | | | | | | | | | | |
| Rent arrears | 10 | 12 | | | | | | ● | Satisfactory ● | Good ● | Minor ● | See section 2.5 |
| Landlord health and safety (follow up) | 15 | 0.5 | ● | | | | | | | | | |
| Housing repairs | 15 | - | ● | | | | | | | | | |

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| Assignment | Budget | Actual | Comments |
|---|--------|--------|----------|
| Other Client Support | | | |
| Covid 19 support – governance and financial management assurances | 30 | 18 | |
| Business grants / counter fraud support | 12 | 8 | |
| Advice & Assistance | 3 | 2 | |
| Contingency | 5 | - | |
| Committee Work, Support & Annual Report | 15 | 4.5 | |
| Recommendation Follow-Up | 3 | 2 | |
| Client Meetings, AGS/NFI & External Audit, Audit Planning | 15 | 7.5 | |
| Internal Audit Management & Development | 21 | 9.5 | |




At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members can expect to receive.

| Compliance Assurances | | |
|-----------------------|---|---|
| Level | Control environment assurance | Compliance assurance |
| Substantial ● | There are minimal control weaknesses that present very low risk to the control environment. | The control environment has substantially operated as intended although some minor errors have been detected. |
| Good ● | There are minor control weaknesses that present low risk to the control environment. | The control environment has largely operated as intended although some errors have been detected. |
| Satisfactory ● | There are some control weaknesses that present a medium risk to the control environment. | The control environment has mainly operated as intended although errors have been detected. |
| Limited ● | There are significant control weaknesses that present a high risk to the control environment. | The control environment has not operated as intended. Significant errors have been detected. |
| No ● | There are fundamental control weaknesses that present an unacceptable level of risk to the control environment. | The control environment has fundamentally broken down and is open to significant error or abuse. |

| Organisational Impact | | Definition |
|-----------------------|---|---|
| Major |  | The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole. |
| Moderate |  | The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole. |
| Minor |  | The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole. |

Category of Recommendations

The Auditor prioritises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

| Priority | | Impact & Timescale |
|---------------|---|---|
| High |  | Action is imperative to ensure that the objectives for the area under review are met. |
| Medium |  | Requires actions to avoid exposure to significant risks in achieving objectives for the area. |
| Low |  | Action recommended to enhance control or improve operational efficiency. |

Appendix 2: Customer Satisfaction

At the completion of each assignment, the Auditor issues a Customer Satisfaction Questionnaire (CSQ) to each client with whom there was a significant engagement during the assignment. The Head of Service and the Line Manager receive a CSQ for all assignments within their areas of responsibility. The standard CSQ asks for the client's opinion of four key aspects of the assignment. The responses received in the year to date are set out below.

| Aspects of Audit Assignments | N/A | Outstanding | Good | Satisfactory | Poor |
|-------------------------------------|------------|--------------------|-------------|---------------------|-------------|
| Design of Assignment | - | - | 1 | - | - |
| Communication during Assignments | - | 1 | - | - | - |
| Quality of Reporting | - | - | 1 | - | - |
| Quality of Recommendations | - | - | 1 | - | - |
| Total | - | 1 | 3 | - | - |

Appendix 3: Implementation of Audit Recommendations

| | 'High' priority recommendations | | 'Medium' priority recommendations | | 'Low' priority recommendations | | Total | |
|--|---------------------------------|------------|-----------------------------------|------------|--------------------------------|------------|--------|------------|
| | Number | % of total | Number | % of total | Number | % of total | Number | % of total |
| Actions due and implemented since last Committee meeting | - | - | 2 | 13% | 1 | 14% | 3 | 10% |
| Actions due within last 3 months, but not implemented | - | - | 1 | 6% | 2 | 29% | 3 | 10% |
| Actions due over 3 months ago, but not implemented | 7 | 100% | 13 | 81% | 4 | 57% | 24 | 80% |
| Totals | 7 | 100% | 16 | 100% | 7 | 100% | 30 | 100% |

Appendix 4: 'High' Priority actions overdue for more than three months

| Audit Title and Year | Service Area | Issue / Outstanding Action | Latest update and reason for revised implementation timescale | Officer Responsible | Original Date | Revised Date |
|----------------------|-----------------------|--|---|--|---------------|--------------|
| Right to Buy 2018-19 | Housing & Communities | <p>Policy/procedures</p> <p>A policy/procedures should be developed to specify the controls that should be exercised for all right to buy applications. Details of specific controls, and templates, have been provided by the LGSS Counter Fraud team and should cover both fraud and money laundering risks.</p> | Draft Policy and relevant proformas drafted. To be submitted for Member approval by end March 2021. | Housing, Welfare and Safer Communities Manager | 31/07/2019 | 31/03/2021 |
| Right to Buy 2018-19 | Housing & Communities | <p>Templates for evidence</p> <p>The existing checklist should be further developed and formalised – or a similar record developed to capture the key controls. Each key control should be evidenced in line with the standard template developed for this purpose, and subject to a review by an independent officer before the</p> | Draft Policy and relevant proformas drafted. To be submitted for Member approval by end March 2021. | 31/07/2019 | 31/07/2019 | 31/03/2021 |

| Audit Title and Year | Service Area | Issue / Outstanding Action | Latest update and reason for revised implementation timescale | Officer Responsible | Original Date | Revised Date |
|---|-----------------------|---|--|-----------------------------------|---------------|--------------|
| | | procedures implemented, ideally on a completion. | | | | |
| Effectiveness of Case Management Arrangements 2019-20 | Housing & Communities | <p>Prepare a formal service specification</p> <p>Prepare a formal service specification or plan setting out the overall aims and objectives of the IHM service, expected outcomes and detailed description of the services provided. This should clearly distinguish between welfare and tenancy based services and how they are delivered to maximise effectiveness and value for money.</p> | The Council's resources continue to be directed at the impact and recovery from Covid 19. The revision of Case Management will be incorporated into the People Recovery work strand and revised Corporate Plan under the "Community Hub Plus" model. A revised target for completion is given as 31 December 2020. | Director of Housing & Communities | 30/11/2019 | 31/12/2020 |
| Effectiveness of Case Management Arrangements 2019-20 | Housing & Communities | Develop a broader and meaningful range of performance indicators | As above. | Director of Housing & Communities | 30/11/2019 | 31/12/2020 |
| Effectiveness of Case Management | Housing & Communities | Undertake a workload and capacity analysis | As above. | Director of Housing & Communities | 30/11/2019 | 31/12/2020 |

| Audit Title and Year | Service Area | Issue / Outstanding Action | Latest update and reason for revised implementation timescale | Officer Responsible | Original Date | Revised Date |
|-----------------------------------|-----------------------|---|--|-----------------------------------|---------------|--------------|
| Arrangements 2019-20 | | | | | | |
| Landlords Health & Safety 2019-20 | Housing & Communities | Asbestos Surveys | <p>In relation to data management, we have continued to audit and quality check data, bringing together all records from contractors ready to populate the Housing and Asset Management System - this shows there is now 46 properties with no survey, compared to 441 in November 2019.</p> <p>We are looking at our planned workstreams using them as a basis to co-ordinate new and refresh older surveys. Once we have completed this work we will order the remaining surveys with a revised target for this work of December 2020.</p> | Director of Housing & Communities | 31/12/2019 | 31/12/2020 |
| Landlords Health & Safety 2019-20 | Housing & Communities | Central record of all health and safety inspections | Reflecting the build time for the new Housing Management modules, this will not be complete until March 2021. In the meantime, master spreadsheets allow effective management | Director of Housing & Communities | 01/04/2020 | 31/03/2021 |

Appendix 5: Limitations and Responsibilities

Limitations inherent to the internal auditor's work

Internal Audit is undertaking a programme of work agreed by the council's senior managers and approved by the Audit and Standards Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers.

There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to Internal Audit's attention. As a consequence, the Audit and Standards Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

Internal control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

Future periods

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.



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Audit and Standards

14 December 2020

Report of: Head of Internal Audit

Counter Fraud Update Report

| | |
|--|-----|
| Corporate Priority: | All |
| Relevant Ward Member(s): | N/A |
| Date of consultation with Ward Member(s): | N/A |
| Exempt Information: | No |

1 Summary

1.1 To provide Members with a six monthly update on counter fraud activity.

RECOMMENDATION(S)

That Committee:

1. Notes the report.

2 Reason for Recommendations

2.1 To ensure the Committee has an oversight of the Council's counter fraud activity.

3 Background

- 3.1 The Council has a zero tolerance to fraud and corruption which is communicated and enforced through its policies and procedures. In order to actively promote this culture and ensure controls are robust as possible, the Head of Internal Audit and the Director for Corporate Services review fraud risks and assess against good practice on a regular basis. Opportunities are also sought to engage with staff and maintain awareness of key policies and expectations.
- 3.2 This report is intended to provide an update on counter fraud activity during the last six months.
- 3.3 At the end of each financial year, the fraud log is presented to the Audit and Standards Committee which summarises any investigations during the year. This log is maintained by the Head of Internal Audit.

4 Main Considerations

- 4.1 During the last six months, pro-active counter fraud activity at the Council has included the following:
- a) An all staff briefing by the Head of Internal Audit and Monitoring Officer on 9th September 2020. This covered an update on ethical governance policies, fraud trends and whistleblowing;
 - b) Update of the Fraud Response Plan to align with latest best practice and to review strengthening of processes in light of any lessons learnt from investigations conducted in the last year;
 - c) Promotion of Fraud Awareness Week in November 2020 via the Council's intranet. This included a requirement for all staff to complete the updated online training module by the end of December 2020 and promoted the newly updated Fraud Response Plan;
 - d) Quarterly review of the fraud risk register and highlighting of potential areas for coverage in the 2021/22 audit plan;
 - e) Support from the LGSS Counter Fraud service in conducting post payment assurance checks on grants paid to local businesses during the Covid-19 pandemic. This has included conducting checks via the Cabinet Office's National Fraud Initiative tools and advising on alerts and intelligence gathered from work at other LGSS clients. Internal Audit have been notified of one grant that was identified as fraudulent and have advised on reporting this to the relevant bodies;
 - f) An additional item in the staff newsletter in October 2020 regarding specific fraud trends highlighted during the pandemic and risks to be alert to, both in the workplace and to share with vulnerable family members or friends outside of the workplace; and
 - g) Producing a new page on the Council's external website to provide advice and guidance on where to report different types of fraud and promoting the new 'Report Fraud' mailbox. This should signpost members of public to the most appropriate body for reporting any concerns of fraud or corruption, including a clear line of reporting for any allegations of fraud against the Council, including housing related fraud, to the Head of Internal Audit.

- 4.2 Also during this period, the Head of Internal Audit has been notified of fact finding investigation work in relation to one case where an allegation had been made against a member of staff. This will be reflected in the Fraud Log at year end, with the formal outcome. Under the revised Fraud Response Plan, any draft reports on fraud related allegations must be shared with the Head of Internal Audit for review before issuing and this should enable consistent oversight of any such cases, even where Internal Audit has not been actively engaged in the investigation.

5 Options Considered

- 5.1 Not applicable.

6 Consultation

- 6.1 Not applicable.

7 Next Steps – Implementation and Communication

- 7.1 Internal Audit will continue to work with the Council to build upon its counter fraud work to date and to continue to review and manage fraud risks.

8 Financial Implications

- 8.1 There are no financial or other resource implications arising directly from this report.

Financial Implications reviewed by: Director for Corporate Services

9 Legal and Governance Implications

The risk of fraud and corruption is present in any organisation, and it is important that the organisation is clear about the level of this risk, and that a range of actions are put in place to reduce this risk to a tolerable level. This report outlines these issues and how the organisation, supported by Internal Audit, can ensure the continued development of a counter-fraud environment.

Legal Implications reviewed by: Monitoring Officer – 03.12.20

10 Equality and Safeguarding Implications

- 10.1 There are no equalities or safeguarding implications arising directly from this report.

11 Community Safety Implications

- 11.1 There are no community safety implications arising directly from this report.

12 Environmental and Climate Change Implications

- 12.1 There are no environmental or climate change implications arising directly from this report.

13 Other Implications (where significant)

- 13.1 There are no other implications arising directly from this report.

14 Background Papers

- 14.1 Not applicable.

15 Appendices

- 15.1 None

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|---------------------------------------|--|
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Audit and Standards

14 December 2020

Report of: Head of Internal Audit

Internal Audit Plan development for 2021/22

| | |
|--|-----|
| Corporate Priority: | All |
| Relevant Ward Member(s): | N/A |
| Date of consultation with Ward Member(s): | N/A |
| Exempt Information: | No |

1 Summary

- 1.1 To provide Members with an overview of the proposed Audit Planning process for 2021/22 and consult Members on risk areas for consideration in the development of the Audit Plan.

RECOMMENDATION(S)

That Committee:

- 1. Approves the proposed approach to developing the Audit Plan for 2021/22.
- 2. Highlight any risk areas where the Committee requires assurance during the year ahead.

2 Reason for Recommendations

- 2.1 To support and inform the development of the Internal Audit plan for 2021/22, in line with the Public Sector Internal Audit Standards.

3 Background

- 3.1 LGSS provides the Internal Audit service for Melton Borough Council and is commissioned to provide 235 audit days to deliver the annual Audit Plan.
- 3.2 In setting the annual Audit Plan, the Public Sector Internal Audit Standards require:
- a) The audit plan should be developed taking into account the organisation's risk management framework and based upon a risk assessment process undertaken with input from senior management and the Audit Committee;
 - b) The audit plan should be reviewed and approved by an effective and engaged Audit Committee to confirm that the plan addresses their assurance requirements for the year ahead; and
 - c) The Head of Internal Audit should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations.

4 Main Considerations

- 4.1 In order to ensure that the Audit Plan for 2021/22 address the Council's key risks and adds value to the organisation, it is proposed that the Head of Internal Audit will identify and prioritise the areas for coverage by:
- a) Reviewing the Council's Risk Registers and Corporate Plan;
 - b) Analysing coverage of Internal Audit reviews over the last four years and the assurance opinions provided following each review, to identify any assurance gaps or areas where follow up work would be of value;
 - c) Identifying any other sources of assurance for each of the Council's key risks, which may reduce the added value of an Internal Audit review and where work could be aligned with other assurance providers;
 - d) Identifying any areas of the Audit Universe (a list of potential areas for audit review across the Council) which have not been subject to Internal Audit review during the last four years;
 - e) Consultation with the Audit and Standards Committee to discuss the planning process and areas where Members require assurances from Internal Audit during 2021/22; and
 - f) Meetings with each member of Senior Leadership Team to discuss key risks and emerging risk areas for the year ahead and any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.
- 4.2 All potential audit coverage identified will be risk assessed and prioritised for inclusion in the Audit Plan, in consultation with Senior Management Team, based on risk, other sources of assurance available and potential value added from a review.
- 4.3 The resulting draft Internal Audit Plan will then be presented to the Audit and Standards Committee in March 2021 for review and formal approval.

5 Options Considered

- 5.1 The recommended approach is in line with the Public Sector Internal Audit Standards. Alternative approaches have not been considered at this time.

6 Consultation

- 6.1 The Audit and Standards Committee is being consulted on the development of the 2021/22 audit plan. Consultation with senior management will also take place as part of this process.

7 Next Steps – Implementation and Communication

- 7.1 The plan for 2021/22 will be developed in line with the agreed approach and a draft audit plan will be presented to the committee for approval in March 2021.

8 Financial Implications

- 8.1 There are no financial or other resource implications arising directly from this report. The audit plan will be developed based on the number of days commissioned on an annual basis.

Financial Implications reviewed by: Director for Corporate Services

9 Legal and Governance Implications

- 9.1 Internal Audit is a statutory requirement as required under the Accounts and Audit Regulations 2015 which state “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”
- 9.2 Internal Audit also has an important role in supporting the Chief Finance Officer to discharge their statutory responsibilities under s151 Local Government Act 1972 – to ensure the proper administration of financial affairs and s114 Local Government Act 1988 – to ensure the Council’s expenditure is lawful.
- 9.3 The findings from assignments on the audit plan should inform the Council’s Annual Governance Statement and risk management processes.

Legal Implications reviewed by: Monitoring Officer – 03.12.20

10 Equality and Safeguarding Implications

- 10.1 There are no equalities or safeguarding implications arising directly from this report.

11 Community Safety Implications

- 11.1 There are no community safety implications arising directly from this report.

12 Environmental and Climate Change Implications

- 12.1 There are no environmental or climate change implications arising directly from this report.

13 Other Implications (where significant)

- 13.1 There are no other implications arising directly from this report.

14 Background Papers

- 14.1 Not applicable.

15 Appendices

15.1 None

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|---------------------------------------|--|
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