

Agenda

Meeting name	Meeting of the Audit and Standards Committee
Date	Tuesday, 18 January 2022
Start time	6.30 pm
Venue	Parkside, Station Approach, Burton Street, Melton Mowbray, Leicestershire LE13 1GH
Other information	This meeting is open to the public

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

Edd de Coverly
Chief Executive

Membership

Councillors	D. Pritchett (Chair)	J. Illingworth (Vice-Chair)
	T. Bains	P. Chandler
	C. Fisher	A. Hewson
	E. Holmes	P. Posnett MBE
	M. Steadman	T. Webster

Quorum: 5 Councillors

Meeting enquiries	Democratic Services
Email	democracy@melton.gov.uk
Agenda despatched	Monday, 10 January 2022

No.	Item	Page No.
1.	APOLOGIES FOR ABSENCE	
2.	MINUTES To confirm the minutes of the meeting held on 30 November 2021.	1 - 8
3.	DECLARATIONS OF INTEREST Members to declare any interest as appropriate, in respect of items to be considered at this meeting.	9 - 10
4.	INTERNAL AUDIT PROGRESS REPORT The Head of Internal Audit to submit a report to update Members on the progress made in delivering the 2021/22 Internal Audit Plan and key findings arising from audit assignments completed.	11 - 28
5.	2019/20 HOUSING BENEFIT SUBSIDY CLAIM The Director for Housing and Communities to submit a report providing Members with a summary of the 2019/20 Housing Benefit Audit.	29 - 34
6.	COUNTER FRAUD UPDATE REPORT The Head of Internal Audit to submit a report providing Members with a six monthly update on counter fraud activity.	35 - 38
7.	PROVISION OF INTERNAL AUDIT SERVICES The Director for Corporate Services to submit a report advising Members on the Internal Audit Service Level Agreement.	39 - 58
8.	URGENT BUSINESS To consider any other items that the Chair considers urgent.	

Minutes

Meeting name	Audit and Standards Committee
Date	Tuesday, 30 November 2021
Start time	6.30 pm
Venue	Parkside, Station Approach, Burton Street, Melton Mowbray, Leicestershire LE13 1GH

Present:

Councillors

R. Smith (Vice-Chair, in the Chair)	P. Chandler
M. Glancy	A. Hewson
J. Illingworth	P. Posnett MBE
D. Pritchett	E. Holmes (Substitute)

Officers

Assistant Director for Governance & Democracy
 Head of Internal Audit
 Democratic Services Manager
 Senior Democratic Services & Scrutiny Officer
 Democratic Services Officer (CR)

Minute No.	Minute
96	<p>Apologies for Absence There were no apologies for absence. Councillor Bains was not present at the meeting.</p>
97	<p>Minutes The minutes of the meeting held on 28 September 2021 were confirmed.</p>
98	<p>Declarations of Interest There were no declarations of interest.</p>
99	<p>Internal Audit Progress Report Rachel Ashley-Caunt, Head of Internal Audit introduced the report, the purpose of which was to update Members on the progress made in delivering the 2021/22 Internal Audit Plan and key findings arising from audit assignments completed.</p> <p>Ms Ashley-Caunt advised that the Internal Audit Plan (detailed within Appendix A) summarised all key assignments to be delivered in year. Section 2.5 of the appendix summarised a further audit report finalised since the last Committee meeting (on 28 September 2021), in relation to land charges. Internal Audit had identified areas for improvement, in relation to improving review and independent checks, introducing management review processes for accuracy and consistency of application details included on the register and had reflected on the backlog of manual records, which needed to be uploaded on the electronic register. It was recommended that an Action Plan be put into place, to give assurance over completion. Internal Audit had also identified areas for improvement for supporting documentation, making a recommendation on strengthening the process to ensure consistency and quality of records. Overall Internal Audit had issued a satisfactory assurance opinion, reflecting no significant areas of weakness.</p> <p>Ms. Ashley-Caunt highlighted that Appendix 3 detailed an update on the implementation of audit recommendations since the last Committee meeting. 3 recommendations had been completed and there were 25 actions which were currently overdue. Those which were over 6 months overdue and of high priority were summarised within the table at Appendix 4, with an update on current status for implementation. Internal Audit would continue to monitor these and provide a further update at the next Committee meeting.</p> <p>Ms. Ashley-Caunt confirmed that work against the Audit Plan continued and it was anticipated that at least 90% of the Plan would be completed by the end of the year as planned. The last quarter would see delivery of a number of audit assignments which had to be undertaken towards the end of the year to appropriately incorporate the financial period.</p> <p>During discussion the following points were noted:</p>

- Members thanked Ms. Ashley-Caunt for her report, noting the good progress made against the Audit Plan, particularly in relation to Housing and commenting that revised dates for implementation were reasonable.
- Members were pleased to note the work on Land Charges. It was confirmed that costs were reviewed on a regular basis and fees were adjusted accordingly. Ms. Ashley-Caunt would confirm following the meeting whether the Council could recover all costs associated with delivery of the Service.

RESOLVED that the Committee noted the report and progress made by the Internal Audit team in the delivery of the Audit Plan.

100

Internal Audit Plan 2022/23

Rachel Ashley-Caunt, Head of Internal Audit introduced the report, the purpose of which was to provide Members with an overview of the proposed Audit Planning process for 2022/23 and to consult Members on risk areas for consideration in the development of the Audit Plan.

Ms. Ashley-Caunt advised that Internal Audit aimed to develop a risk based Audit Plan by consulting with Senior Management Team and this Committee, by reviewing changes to legislation, new statutory responsibilities, risk registers and current assurances to see where Internal Audit coverage would add the most value.

Ms. Ashley-Caunt invited Members to advise her of any areas which they would value assurance from Internal Audit. The draft Plan would be submitted to this Committee on 22 March 2022 for formal approval.

During discussion the following points were noted:

- Members thanked Ms. Ashley-Caunt for her work.
- It was important for the Committee to be fully informed of all significant risks and Ms. Ashley-Caunt would seek feedback from key Members (Leader and Committee Chairs) as part of the Audit Plan consultation process to aid the Committee in fulfilling its role to approve the Plan.

RESOLVED that the Committee:

- 1) Approved the proposed approach in developing the Audit Plan for 2022/23;
- 2) Highlighted any risk areas where the Committee required assurance during the year ahead.

101

External Audit Plan 2020/21

Hayley Clark, External Auditor (Ernst Young) introduced the report, the purpose of which was to present the 2020/21 Audit Plan which included an analysis of key risks, the audit strategy, reporting and timescale.

Ms. Clark advised that in assessing risk areas for the 2020/21 audit, the following areas had been considered by External Audit:

- Misstatements Due to Fraud or Error - focusing on the use of journals and estimates throughout the audit and considering the risk of fraud in revenue

and expenditure recognition:

- i. In relation to revenue recognition, 2 risks had been identified for the accounting for additional Covid-19 funding and potential impact/understatement of other income/commercial based income.
 - ii. In relation to the expenditure recognition risk, External Audit had reviewed the overstatement of expenditure and if there was any spend that had been brought forward that should have been accounted for in 2021/22.
- Valuation of Property, Plant and Equipment and Investment Properties – this had been highlighted as a significant risk, due to a change in valuers, which carried an additional degree of risk for External Audit focus.
 - Pension Valuation – Local Government Pension Scheme – this was classed as a higher inherent risk for External Audit focus due to the assumptions and sensitivity involved in accounting the balance.

Ms. Clark highlighted External Audit's materiality levels. The level of materiality used when assessing the risk of error in the financial statements (planning materiality) was £574k. The level of materiality used to perform detailed testing (performance materiality) was £431k. The audit differences threshold for any misstatements during the audit, which remained uncorrected was £29k and these would be included as part of External Audit reporting.

Ms. Clark drew Members attention to the value for money conclusion, advising that there had been a change to the NAO's 2020 Code of Audit Practice. External Audit remained focused on 3 key areas (financial sustainability, governance and improving economy efficiency and effectiveness). However, a slightly different risk assessment was required in planning for work to be undertaken. Any significant risks identified would result in more detailed work. Additional commentary would be issued with External Audit's assurance opinion, setting out the arrangements in place across the 3 key areas.

During discussion the following points were noted:

- Members noted that the External Audit Plan was submitted later this year due to a number of changes in External Audit resources. Although the audit was in progress, Member feedback would be considered and the audit approach adjusted accordingly.
- Members noted that External Audit made additional fraud related enquiries (with the Committee Chair, Monitoring Officer Senior Leadership Team and Internal Audit), as part of the audit.
- External Audit's proposed audit fee was similar to fees proposed for its other clients and these fees were subject to significant scrutiny. They reflected the risk assessment process, the nature of balances and considerable resourcing pressure across the audit profession, including the ability to attract and retain auditors to enable delivery of audits. The fee model applied would be impacted by an increase or decrease as necessary.

RESOLVED that the Committee:

- 1) Approved the External Audit Plan for 2020/21;
- 2) Confirmed its understanding of and agreement to the materiality and

reporting levels set out in the plan;

- 3) Noted the delay to the timing of the audit of accounts and subsequent publication of the audited accounts.

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Provision of External Audit Services

David Scott, Corporate Services Manager introduced the report, the purpose of which was to set out proposals for appointing the external auditor to the Council for the accounts for the 5 year period from 2023/24.

Mr. Scott advised that the Council was seeking the Committee's authority to continue with the 'opt in' approach to the sector-led appointment of external auditors process through the Public Sector Audit Authority (PSAA). Over 90% of council's opted into this process, as there was a cost saving and time benefit. The market and associated resources were limited and if the Council undertook the process itself, it would be bidding the same companies for the same work. In addition, should there be disagreement with auditors on fee setting, the PSAA would help arbitrate the process.

During discussion the following points were noted:

- If approved, the PSAA would undertake the process to appoint the External Auditor for the Council and would notify the Council each year (within the 5 years) of who had been appointed. The PSSA may appoint Ernst and Young again or they may appoint a different Auditor.
- If approved, the PSAA would begin a procurement to the audit market, which it would negotiate and agree a set of fees. Lower cost fees should result from the collective procurement process, although it was likely that the fees would be higher due to the current market.
- The Council's fees would be proportional and reflective of it being a smaller local authority, although any fee increase may be larger than desired.
- Members noted that in 2019, PSAA returned £3.5million to relevant bodies and in 2021, it returned a further £5.6million. The Corporate Services Manager would confirm the amount refunded to this Council outside of the meeting.

RESOLVED that the Committee recommended to Council:

- 1) Authority to accept the Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for 5 financial years from 1 April 2023;
- 2) That the Director for Corporate Services be delegated authority to give effect to the appointment.

103

Regulation of Investigatory Powers Act 2000 [RIPA] Update 2020-21

Natasha Taylor, Democratic Services Manager (Deputy Monitoring Officer) introduced the report, the purpose of which was to update Members in relation to the Council's use of powers under the Regulation of Investigatory Powers Act 2000 (RIPA) from April 2020 to March 2021.

Mrs. Taylor advised that RIPA sets out a regulatory framework for the use of covert investigator techniques. The techniques were restricted and used only when considered necessary, proportionate and as a last resort to prevent crime and disorder. Since November 2012, RIPA authorisation for covert surveillance required magistrate court approval. The use of the Council's RIPA powers had declined significantly over the years but RIPA powers could be used for fly tipping and some licencing offences, providing they met the serious crime threshold. The Council had not needed to use RIPA during 2021.

Ms. Taylor confirmed that authorising and investigating officers undertook annual training to ensure they remained up to date and knowledgeable in respect of RIPA powers (training would be held next week) and the Council was periodically inspected by the Investigatory Powers Commissioner's Office. The last inspection was undertaken in April 2020 and the positive outcome was previously reported to this Committee. It was essential that the Council continued to maintain its processes and procedures and the annual presentation of this report provided the Committee with assurance and oversight of compliance in this area.

During discussion the following points were noted:

- Members thanked Ms. Taylor for the report, commenting that it was a good, reassuring report.

RESOLVED that the Committee noted the update for the period April 2020 to March 2021.

104

Revised Members' Code of Conduct

Kieran Stockley, Assistant Director for Governance and Democracy introduced the report, the purpose of which was to present Members with a revised Members' Code of Conduct for consideration prior to it being submitted to full Council on 16 December 2021 for approval.

Ms Stockley highlighted that the Localism Act placed the Council under a duty to maintain high standards of conduct. The Council was required to adopt a Code, dealing with conduct expected of Members and co-opted Members. The current Members Code of Conduct was adopted in 2012 and was last reviewed in 2017. In 2019, the Committee on Standards in Public Life published a report and one of the main recommendations was for the Local Government Association (LGA) to create an updated non-mandatory model Code of Conduct, which local authorities could consider adopting or adapting. The LGA aimed to develop the Code as a benchmark standard for all public office. It was issued in January 2021 and updated in May 2021.

Ms. Stockley advised that throughout the year, she had met with Leicestershire Monitoring Officers to review the LGA's model Code of Conduct and to determine whether any revisions were necessary, to reflect local issues (amendments to the model Code were detailed at paragraph 5.5 of your report). Monitoring Officers sought to create a common Code across Leicestershire, including parish councils,

working closely with the Leicestershire and Rutland Association for Local Councils (LRALC) and recognising Leicestershire's 2 tier authority status (some Members being both district and county councillors).

Ms. Stockley highlighted that most councils had submitted Codes for approval in the coming month and early next year. The Council's locally amended Code had been approved by its Constitutional Review Working Group in October 2021 for submission to this meeting.

During discussion the following points were noted:

- Should the Code be approved, the Council would deliver a programme of training to include parish councils who adopt the Code.
- There was guidance within the Localism Act on provision for granting dispensations and this would be included in the training programme.

RESOLVED that the Committee:

- 1) Endorsed the locally amended Code of Conduct;
- 2) Recommended to Council that the locally amended Code of Conduct be approved and implemented from 1 April 2022.

105

Provision of Internal Audit Services

David Scott, Corporate Services Manager introduced the report, the purpose of which was to propose a new Service Level Agreement be entered into to continue the delegation with the same Internal Audit Team.

Mr. Scott advised that the current delegated service was scheduled to end on 1 March 2022 and the proposal to continue the delegation with the same Internal Audit Team would reflect the change in responsible authority (being North Northamptonshire Council) from 1 April 2022. The current service was high performing, represented good value for money and provided the resilience needed across different specialisms.

Mr Scott confirmed that other partner councils were also proposing to continue the delegation. He highlighted that the extensive research undertaken in 2017 remained valid and justifications for continuing the delegation were detailed at paragraph 5.4 of the report.

During discussion the following points were noted:

- Members noted that the current service provided value for money and were supportive of the recommendations, with the addition of the Service Level Agreement (SLA) as finalised by the Director for Corporate Services in consultation with the Assistant Director for Governance and Democracy being submitted to this Committee for approval.

RESOLVED that the Committee recommended that Council:

	<ol style="list-style-type: none"> 1) Delegates its internal audit service to North Northamptonshire Council from 1 April 2022; 2) Delegates authority to the Director for Corporate Services in consultation with the Assistant Director for Governance and Democracy to finalise the delegation agreement with North Northamptonshire Council for the provision of internal audit services; 3) Delegates authority to the Director for Corporate Services to: <ol style="list-style-type: none"> i. review the agreement every 5 years to ensure best value. ii. make any in-year changes to the delegation agreement as required to reflect any legislative and/or organisational changes; 4) Notes that the Service Level Agreement (SLA) be provided to the Audit and Standards Committee for approval before being finalised.
106	<p>Urgent Business There was no urgent business.</p>

The meeting closed at: 7.38 pm

Chair

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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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 2021/22 Internal Audit Plan and key findings arising from audit assignments completed

2 RECOMMENDATIONS

That Committee:

- 2.1 Note the report and progress made by the Internal Audit team in the delivery of the Audit Plan.
- 2.2 Approve the proposed amendment to the Audit Plan – to postpone the audit of the HRA Business Plan until 2022/23 and reallocate the audit days to deliver pro-active contingency work and support.

3 Reason for Recommendations

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

4 Background

- 4.1 The Audit and Standards Committee approved the Audit Plan for 2021/22 at the meeting in March 2021.

5 Main Considerations

- 5.1 The progress achieved to date in delivering the 2021/22 Audit Plan is set out in Appendix A. At the time of reporting, 71% of planned assignments are either complete or in progress and a further audit report has been finalised.
- 5.2 The key findings of the audit assignments completed to date are provided within Appendix A.
- 5.3 At the date of reporting, there are 25 agreed management actions which are overdue for implementation. Further details are provided in Appendix A.

6 Consultation

- 6.1 Not applicable.

7 Next Steps – Implementation and Communication

- 7.1 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.

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

- 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”*

Legal Implications reviewed by: Monitoring Officer

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 and 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 Risk & Mitigation

14.1 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.

15 Background Papers

15.1 Not applicable

16 Appendices

16.1 Appendix A: Internal Audit Update – January 2022

Report Author:	Rachel Ashley-Caunt , 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

JANUARY 2022



Introduction

- 1.1 The delegated internal audit service for Melton Borough Council has been commissioned to provide 235 audit days to deliver the 2021/22 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 2021/22 be delivered?

Internal Audit is set the objective of delivering at least 90% of the Internal Audit plans to draft report stage by the end of March 2022.

At the time of reporting, 71% of the Audit Plan is either complete or in progress.

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 are summarised 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 94% 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?

Since the last committee meeting, the following audits from the 2021/22 audit plan have been finalised:

Asset management - leases

The Council must manage the risks arising from the management of its portfolio of assets and seek to maximise income to be generated from these to support front line services. There are many aspects of property management which are required if the assets are to be maintained properly, costs and income are to be effectively managed and the landlord/tenant relationship is to remain effective.

In 2020/21, an Internal Audit on Asset Management was completed. The scope of this review excluded coverage on leased assets, on the basis that there was substantial work underway in this area at that time. As such, this separate, targeted audit was included in the 2021/22 audit plan, to seek assurances over the management of these leases.

2020/21 saw the establishment of a dedicated Corporate Asset team at the Council. It is evident from the findings of this audit that the work conducted during this time has been extensive and has greatly strengthened the control environment in this area. The Council now benefits from the skillsets of the officers in post and a clear focus on embedding effective asset management practices.

It is acknowledged that there remains work to be completed to address all of the historic gaps in controls but the work to date has clearly identified those gaps and actions are underway to resolve these. It is noted, for example, that of the lease agreements in place, 52% had expired at the time of testing and there has been no regime in place for consistent and regular rent reviews. Whilst income continues to be collected in line with the latest lease agreement, there remains a risk that the rent may not be aligned with market rates and if the tenant were to default there would be a lack of current legal agreement in place to support enforcement. An agent has been appointed to agree new lease agreements and rent reviews with those tenants; this remains a work in progress at the time of reporting.

There are established processes in place for the raising of invoices associated with the property leases and sample testing confirmed 92% of invoices selected had been raised in line with the tenancy records. The exceptions related to a tenancy where rent charged was below that specified in the latest agreement (by £500 per annum since 2018) and officers have advised that recovery action will now take place in relation to this. It is noted that the Corporate Asset team receive records on outstanding debts but effective use of, and access to, detailed financial information could be improved to strengthen processes going forward.

The Council has established some key performance indicators in relation to income from leased assets. Following some review to ensure they are suitably specific and measurable, this should assist in informing ongoing monitoring of this area going forward.

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	Satisfactory ●
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?

At the date of reporting, there are 25 agreed management actions which are overdue for implementation. An analysis of the implementation of actions is provided in Appendix 3. There are four actions which were assessed as 'High' priority which have been overdue for more than three months – full details are provided in Appendix 4.

2.7 Are any changes to the Audit Plan required?

As discussed at a previous meeting of the Audit & Standards Committee, the work on the Housing Revenue Account (HRA) business plan remains ongoing at this time. It is proposed that any audit coverage on this would be of greater value in 2022/23, at which point Internal Audit will seek assurance over the process followed to develop the plan and the basis upon which it has been informed. It is recommended that this audit be postponed to 2022/23 and that the days allocated to this be reassigned to support contingency support and, specifically, Internal Audit review of the Council's recharges for mobile phone fees, which have been flagged as an area of financial pressure/risk.

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	8	-										
Risk and performance framework	10	1.5										
Covid 19 recovery	14	5.5										
Local taxation fraud	10	1										
Key Corporate Controls & Policies												
Key financial controls	15	4										
Project management	10	5										
Starters and leavers	8	8										
Procurement cards	8	8							Substantial 	Good 	Minor 	
Asset management – leases	8	8							Satisfactory 	Satisfactory 	Minor 	See section 2.5

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Corporate Objective: Shaping places												
Land charges	10	10						●	Satisfactory ●	Satisfactory ●	Minor ●	
Planning service review	12	-	●									
Planning enforcement	10	1		●								
Corporate Objective: Helping People												
Temporary accommodation	12	7			●							
HRA business plan	15	-	●									Postpone to 2022/23
Intensive housing management service	10	-	●									
Community grants	10	10						●	Good ●	Satisfactory ●	Minor ●	
Housing repairs	10	-		●								

Assignment	Budget	Actual	Comments
Other Client Support			
Business grants / counter fraud support	12	9	

Assignment	Budget	Actual	Comments
Other Client Support			
Contingency	-	10	
Advice & Assistance	3	2	
Committee Work, Support & Annual Report	15	7	
Recommendation Follow-Up	3	2.5	
Client Meetings, AGS/NFI & External Audit, Audit Planning	15	10	
Internal Audit Management & Development	21	11	

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	-	2	1	1	-

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	-	-	-	-	-	-	-	-
Actions due within last 3 months, but not implemented	-		3	%	2	18%	5	20%
Actions due between 3 and 6 months ago, but not implemented	-	-	3	%	2	18%	5	20%
Actions due over 6 months ago, but not implemented	4	67%	4	%	7	64%	15	60%
Totals	4	100%	10	100%	11	100%	25	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
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>	A review of the service has been commissioned and interim findings report has been shared with strategic leads. Alongside this, a review of future options for lifeline service is underway and it is anticipated that both reviews will enable a new model of service delivery in melton to support people to remain independent at home will be developed. The reviews will lead to future options being developed for member consideration. Scrutiny workshop session planned for January 2022. Audit of emerging 'new model' will take place March 2022, to ensure that it is robust and to provide assurance that it is designed in a way that can deliver the required outcomes	Director of Housing & Communities	30/11/2019	28/02/2022
Landlords Health & Safety 2019-20	Housing & Communities	Asbestos Surveys	A further, third party audit has been completed which highlighted a number of areas for improvement and action. This included the recommendation that previous, historic data, may not be suitable and	Director of Housing & Communities	31/12/2019	As soon as possible

Audit Title and Year	Service Area	Issue / Outstanding Action	Latest update and reason for revised implementation timescale	Officer Responsible	Original Date	Revised Date
			<p>new surveys should be undertaken. We have reviewed the current schedule of surveys and identified where new surveys are required. A newly appointed contractor is in the process of completing those surveys. We will report progress at the next update.</p>			
Rent arrears 2020-21	Housing & Communities	Record and maintain profile information of Northgate Housing system users so that levels of access are clear and there is limited risk of wider access unnecessarily being given to members of staff who do not require it for their role.	<p>The service have already locked down key customer details to those individuals and teams that require access. Officers are continuing to build profiles within the system on a team-by-team basis to ensure future consistency.</p> <p>This action is to be included on future digital board updates to provide enhanced focus and assurance.</p>	Tenancy Services	31/03/2021	31/01/2022
Rent arrears 2020-21	Housing & Communities	Conduct a review (with the assistance of Northgate if required) of current user profiles and user job roles and ensure appropriate access has been given for the role. Compile a list of system administrators who have access to create profiles for new users.	See action above.	Tenancy Services	31/03/2021	31/01/2022

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.



Audit and Standards

18 January 2022

Report of: Director for Housing and
Communities

2019/20 Housing Benefit Subsidy Claim

Corporate Priority:	Ensuring the right conditions to support delivery
Relevant Ward Member(s):	All
Date of consultation with Ward Member(s):	N/A
Exempt Information:	No

1 Summary

- 1.1 This report provides Audit and Standards committee with a summary of the 2019/20 Housing Benefit Audit. It sets out the value and impact of the errors identified and the actions being taken in response to the audit findings to minimise the risk of error in the future. Fewer errors were identified compared to the 2018/19 audit, providing greater assurance of the controls in place to reduce the risk and error.
- 1.2 The Housing Benefit reporting account final tested claim has now been reviewed by the DWP. Following this review it was noted that an amount of £9,011 had been overpaid in relation to our 2019/20 subsidy claim. However it was also noted that there had been an amount of £9,105 underpaid subsidy. The DWP have offset these two amounts meaning that our interim Subsidy payment for September 2021 was increased by £94.

2 Recommendation

That Committee:	Notes the findings of the 2019/20 Housing Benefits Audit and action being taken in response to the audit findings
------------------------	--------------------------------------------------------------------------------------------------------------------------

3 Reason for Recommendations

- 3.1 The report provides an overview of the Councils Housing Benefit claim for the financial year 2019/20 and the findings of the external audit of the claim. No changes can be made to this claim retrospectively.

4 Background

- 4.1 Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid. This is a complex area of work, and is important to ensure that eligible households are supported to receive payments towards their rental costs, and that the Council minimises the risk of error in its approach.
- 4.2 Each year, sample testing is carried out to check for errors in the subsidy claim being made to the DWP. Initial Testing is carried out in respect of all general expenditure cells which relates to Non Housing Rent Account Rebates (expenditure mainly attributed to B&B costs for homelessness cases), HRA Rent Rebates & Rent Allowance. This testing is carried out by External Audit in line with the Housing Benefit Assurance Process.
- 4.3 More extensive testing is completed if the sample testing identifies errors. This is known as '40+ testing'.
- The certification guidance requires external auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim.
- 40+ testing may also be carried out as a result of errors that have been identified in the certification of previous year's claims this is known as Cumulative Assurance Knowledge and Experience (CAKE) testing.
- 4.4 As a result of errors found in the initial testing and errors identified in previous year's claims, external audit carried out extended testing in several areas. These are set out later in the report.
- 4.5 Extended and other testing identified errors which resulted in no amendments to the subsidy claim.
- 4.6 Underpayments, uncertainties and the extrapolated value of other errors have been reported in a qualification letter which is subsequently sent to the DWP The Department of Work and Pensions then decide whether further work is required to quantify the error or to claw back the benefit subsidy paid. The issues reported are outlined in the main considerations.

5 Main Considerations

5.1 Summary of Initial Testing

- 5.1.1 In accordance with the Housing Benefit Assurance Process (HBAP) modules an initial sample of cases was completed for all general expenditure. External Audit re-performed a sample of the Council's testing and confirmed the tests they carried out concur with the Council's results. Checks were made on the following:

Area Sampled	Definition	Errors Identified 2019/20	Errors Identified 2018/19	Findings
Non HRA Rent Rebates	Expenditure mainly attributed to B&B costs for	None found	None found	N/A

	homelessness cases			
HRA Rent Rebates	Tenants of HRA properties	None found	1 error found – Value £68	N/A
Rent Allowance	Tenants of Private Rented properties	3 errors found – Value £10,004	1 error found – Value £66	Errors found related to Incorrect assessment of Annuity; Charges exempt from housing benefit not applied; 13 week rule had not been applied

5.2 Summary of Testing arising from 40+ sample testing and CAKE Testing

5.2.1 In line with the requirements of HBAP modules CAKE testing was undertaken based upon the preceding 2018/19 Audit report. External audit re-performed a sample of the Council's testing and they confirmed they concur with the Council's results. These results are outlined below.

a) Rent Rebate – Incorrect assessment of Earnings

This additional check was carried out due to errors identified in the 2018/19 HBAP report. A random sample of rent rebate cases were selected containing earnings. Testing of this sample identified 1 error case total value of £9 where the Council had applied the incorrect earnings figure resulting in an overstatement.

No amendments were made to the subsidy claim form. For reference in the 2018/19 report 7 cases were identified as errors.

b) Rent Rebates – Incorrect classification of overpayments

This additional check was carried out due to errors identified in the 2018/19 HBAP report. A random sample of cases covering current year eligible overpayments were selected. Testing of this sample identified 3 error cases with a total value of £156. One case where it was admin error not claimant error; one where it should have been local error not claimant error; and one case where it was a DWP error not a claimant error.

No amendments were made to the claim form. For reference in the 2018/19 report 1 cases was identified as an error.

c) Rent Allowance – Incorrect Assessment of Earnings

This additional check was carried out due to errors identified in the 2018/19 HBAP report. A random sample of rent allowance cases were selected containing earnings. Testing of this sample identified 1 error case total value of £0.63 where the Council had applied incorrect earnings figures resulting in an overstatement.

No amendments were made to the claim form. For reference in the 2018/19 report 2 cases were identified as errors.

d) Rent Allowance – Overpayment offsetting

This additional check was carried out due to errors identified in the 2018/19 HBAP report. Additional testing was required in 2019/20. Testing of this area identified 2 error cases total value of £131.28 where the Council had incorrectly offset Rent Allowance overpayments.

No amendments were made to the claim form. For reference in the 2018/19 report 4 cases were identified as errors.

e) Rent Allowance - Incorrect Assessment of Annuity

During the 2019/20 initial testing, it was noted the assessment of an annuity was incorrectly made. Given the nature of the error additional testing was required. 100% of cases were tested given the sample size. A further error was identified as part of the additional testing. Both errors found have resulted in underpayments and the entire sample has been tested. The combined value of the errors was £38.81 understatement

No amendments have been made to the claim form. There is no reference to the 2018/19 report in this instance as this is a new testing sample.

f) Rent Allowance – Ineligible service charges applied

During the 2019/10 initial testing it was noted that ineligible service charges had not been applied to a temporary accommodation claim. This resulted in an overstatement. Given the nature of the error additional testing was required. A further two errors were identified as part of the additional testing resulting in a £22 overstatement. One error related to the incorrect rental charge being included in the assessment. The other related to ineligible service charges having not been applied correctly.

g) Rent Allowance – 13 week rule

13 week protection rule, which temporarily exempt people who could previously afford their accommodation from rent restrictions. This means that someone who signed up for a tenancy in good faith while earning a salary that covered the rent will not be left with unmanageable shortfalls if their income unexpectedly drops, for example because of redundancy or unexpected illness.

It was noted during the 2019/20 initial testing, one case had not the '13 week rule' applied resulting in an underpayment. It was determined that this error would only ever result in an underpayment and therefore, in line with guidance, no further testing was deemed appropriate.

5.3 As part of this audit a review of both system control and parameters was also undertaken. This is known as Modules 2 & 5.

5.3.1 Module 2 was completed which is the system parameters checklist and no issues were identified.

5.3.2 Module 5 which is the system control matrix document was also completed and the following comments were made:

“The Authority uses the Northgate benefit software. The software supplier provides a method for the Authority to reconcile benefit granted to benefit paid per the benefit software. The benefit granted figures in the claim form and the benefit granted figures used in the reconciliation differ. The Authority has performed the software supplier’s reconciliation but to fully reconcile benefit granted and paid the Authority has also made balancing adjustments”

- 5.4 At the time of the report the errors identified as part of the audit were not significant in value and no amendments were made to the claim form and therefore they did not have a financial impact on the council. However further targeted training and awareness will be taken forward to try to prevent similar errors occurring in the future.
- 5.5 It is positive that there were a number of areas where no errors were identified within the 2019/20 audit. There were also a number of areas where the number of errors found in 2019/20 was lower when compared to 2018/19 this again highlights progress being made. This highlights the continued progress being made. We will continue to focus on those areas where errors were identified this year to see how these can be reduced in the future. This will include staff training and improved working practices and processes. .
- 5.6 The Housing Benefit reporting account final tested claim has now been reviewed by the DWP. Following this review it was noted that an amount of £9,011 had been overpaid in relation to our 2019/20 subsidy claim. However it was also noted that there had been an amount of £9,105 underpaid subsidy. The DWP have offset these two amounts meaning that our interim Subsidy payment for September 2021 was increased by £94.

6 Options Considered

- 6.1 The findings of the 2019/20 audit highlight the continued progress being made. We will continue to focus on those areas where errors were identified this year to see how these can be reduced in the future. This will include staff training and improved working practices and processes.

7 Consultation

- 7.1 There was no consultation required as part of this report.

8 Next Steps – Implementation and Communication

- 8.1 Housing Benefit subsidy will continue to be monitored on a regular basis. Training will be focused on areas highlighted in the annual audit of the Housing Benefit subsidy claim.

9 Financial Implications

Financial Implications reviewed by: Director for Corporate Services

10 Legal and Governance Implications

- 10.1 There are no legal implications arising from this report

Legal Implications reviewed by: Monitoring Officer

11 Equality and Safeguarding Implications

- 11.1 There are no equality or safeguarding implications arising from this report.

12 Community Safety Implications

12.1 There are no community safety implications to consider as part of this report.

13 Environmental and Climate Change Implications

13.1 There are no environmental and climate change implications to consider as part of this report.

14 Other Implications (where significant)

14.1 There are no other implications to consider as part of this report.

15 Risk & Mitigation

15.1 The risk is that a high amount of errors could lead to reduced subsidy being received. However the errors that have been identified in the report have had a small net impact on the claim.

16 Background Papers

16.1 There are no background papers to be considered alongside this report.

17 Appendices

17.1 There are no appendices to accompany this report.

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Audit and Standards

18th January 2022

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.

2 RECOMMENDATION

That Committee:

2.1 Notes the latest counter fraud activity.

3 Reason for Recommendations

3.1 To ensure the Committee has an oversight of the Council's investigation and counter fraud activity.

4 Background

4.1 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.

4.2 This report is intended to provide an update on counter fraud activity.

5 Main Considerations

5.1 During the last six months, pro-active counter fraud activity at the Council has included the following:

Prevention

- a) Monitoring completion of the Fraud Awareness training module on the online learning platform. This module has now been deemed as mandatory for all staff and reminders have been issued to those yet to complete the session;
- b) Assistance to the Monitoring Officer in reviewing and refreshing the Council's Whistleblowing policy;
- c) Planning work on an all staff briefing by the Head of Internal Audit and Monitoring Officer in 2022. This will promote the ethical governance policies, fraud trends and whistleblowing procedures;

Detection

- d) Monitoring of the Council's new 'Report Fraud' mailbox;
- e) Support from the Internal Audit and Counter Fraud service in conducting post payment assurance checks on grants paid to local businesses during the Covid-19 pandemic and some pre-payment checks for later rounds of funding. 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 shared service clients
- f) Producing a page on the Council's new external website to provide advice and guidance on where to report different types of fraud and promoting the 'Report Fraud' mailbox. This signposts 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.

Compliance

- g) Regular review of the Council's Fraud Risk Register and reference to this in planning Internal Audit coverage for 2022/23; and
- h) Internal Audit work on local taxation fraud to assess the effectiveness of preventative and detective controls in relation to business rate and council tax fraud.

6 Options Considered

6.1 Not applicable.

7 Consultation

7.1 Not applicable.

8 Next Steps – Implementation and Communication

8.1 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.

9 Financial Implications

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

Financial Implications reviewed by: Director for Corporate Services

10 Legal and Governance Implications

10.1 The Council has an on-going obligation to detect and investigate localised fraud and to prevent reoccurrence by risk management and the continuance of good governance including best practice and by following evolving anti-fraud initiatives.

Legal Implications reviewed by: Monitoring Officer

11 Equality and Safeguarding Implications

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

12 Community Safety Implications

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

13 Environmental and Climate Change Implications

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

14 Other Implications (where significant)

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

15 Background Papers

15.1 Not applicable.

16 Appendices

16.1 None

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Audit and Standards

18 January 2022

Report of: Director for Corporate Services

Provision of Internal Audit Services

Corporate Priority:	Ensuring the right conditions to support delivery
Relevant Ward Member(s):	All
Date of consultation with Ward Member(s):	N/A
Exempt Information:	Appendix A contains exempt information (by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972).

1 Summary

The Council approved the recommendation made by this committee at its meeting on 30th November 2021 to delegate its internal audit function to North Northamptonshire Council. This was a continuation of the existing service with a new lead council. As part of the recommendation members of this committee requested that the Service Specification that underpins the actual delegation agreement be brought back to this committee for members approval before being finalised. This document is attached and due to its commercial sensitivity is an exempt document.

2 Recommendation

That Committee:

- 2.1 Approves the Service Specification for the provision of internal audit services attached at Appendix A.

3 Reason for Recommendations

- 3.2 The recommended proposal to continue with the current service provided through the new employing authority was approved by the Council in line with the recommendation made by this committee at its meeting on 30 November 2021. The existing underlying agreement will be reviewed and updated to ensure it remains fit for purpose and Council

delegated authority to the Director for Corporate Services in consultation with the Assistant Director for Governance and Democracy to finalise the delegation agreement with North Northamptonshire Council. This committee approved a recommendation that the revised Service specification which sits within this delegation agreement be brought back for approval before being finalised.

4 Background

- 4.1 The current internal audit service is provided through a delegation agreement which ends on 31.3.22. It is necessary to enter into a new agreement if the council wishes to continue with the current service provision. Following a recommendation from this committee Council approved that the service continue to be delegated to the new employing authority North Northamptonshire Council. This decision met legal and procurement requirements in respect of the service. The service the council can expect to receive is set out in the Service specification.

5 Main Considerations

- 5.1 The Service specification attached at Appendix A has been drafted using the existing Service Specification as a basis and ensuring that specifications are updated as appropriate and remain fit for purpose. It has been developed in conjunction with other former Welland partners that also have a delegated service arrangement with North Northamptonshire and are also entering into a new agreement for a further term.
- 5.2 The service is proactively managed with regular liaison meetings being held between the Director for Corporate Services and chief Internal Auditor. Regular meetings are also held between the Chief Internal Auditor, Director for Corporate Services, Assistant Director for Governance and Democracy and the Chair of this Committee.

6 Options Considered

- 6.1 The alternative option is not to approve the Service specification which would risk the delegation with North Northamptonshire not proceeding which would leave the council without an internal audit service.

7 Consultation

- 7.1 There have been discussions with other shared service partners to assist in developing the associated service level agreement.
- 7.2 The actual delegation agreement within which this service specification sits will be shared with the Chair of this Committee.

8 Next Steps – Implementation and Communication

- 8.1 Subject to approval the agreement will be finalised with North Northamptonshire.

9 Financial Implications

- 9.1 The cost of the new delegation is in line with the existing service with an uplift for inflation which has been budgeted for accordingly.

Financial Implications reviewed by: Director for Corporate Services

10 Legal and Governance Implications

- 10.1 In accordance with Section 6 of the Accounts and Audit Regulations 2011, the Chief Finance Officer and the Chief Executive shall be responsible for maintaining an adequate and effective internal audit of the Council's accounting records, control systems and financial transactions including any operations affecting the financial arrangements or the finances of the Council. The Internal Audit Section shall comply with the current CIPFA Code of Practice for Internal Audit in Local Government, in undertaking its functions.
- 10.2 An authority can delegate any of its functions to another local authority under Section 101 of the Local Government Act 1972 together with Regulation 5 of the Local Authorities (Arrangements for the Discharge of Functions) Regulations 2012. The delegation will be covered by an agreement, which is not a contractual relationship and as such is not subject to a procurement exercise. The effect of the delegation is to hand over the control of the service provision to the authority providing the service. The delegation agreement will be a standard agreement containing general clauses such as term, activities, fees, costs, contract monitoring etc. as well standard boilerplate clauses such as notice periods, consequences of termination, dispute resolution, variation of the agreement, governance conflicts of interests etc.

Legal Implications reviewed by: Monitoring Officer

11 Equality and Safeguarding Implications

- 11.1 There are no direct equalities and safeguarding implications as a result of this report

12 Community Safety Implications

- 12.1 There are no direct community safety implications as a result of this report.

13 Environmental and Climate Change Implications

- 13.1 There are no direct environmental and climate change issues as a result of this report.

14 Other Implications (where significant)

- 14.1 There are no other implications as a result of this report.

15 Risk & Mitigation

Risk No	Risk Description	Likelihood	Impact	Risk
1	The key risk is that the delegated service fails to deliver a well performing service	Low	Marginal	Low Risk

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High				
	4 Significant				
	3 Low		1		
	2 Very Low				
	1 Almost impossible				

Risk No	Mitigation
1	This is mitigated through a Service Specification setting out the required outputs and how performance will be measured, monitored and reported. Regular liaison meetings assist in monitoring the level of service provision.

16 Background Papers

16.1 None

17 Appendices

17.1 Appendix A Service Specification (Exempt)

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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