

# Agenda

<b>Meeting name</b>	<b>Meeting of the Audit and Standards Committee</b>
<b>Date</b>	<b>Tuesday, 5 July 2022</b>
<b>Start time</b>	<b>6.30 pm</b>
<b>Venue</b>	<b>Parkside, Station Approach, Burton Street, Melton Mowbray, Leicestershire LE13 1GH</b>
<b>Other information</b>	<b>This meeting is open to the public</b>

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

<b>Councillors</b>	D. Pritchett (Chair)	C. Fisher (Vice-Chair)
	S. Atherton	P. Chandler
	J. Douglas	C. Evans
	P. Posnett MBE	T. Webster
	J. Wilkinson	P. Wood

**Quorum:** 5 Councillors

<b>Meeting enquiries</b>	Democratic Services
<b>Email</b>	democracy@melton.gov.uk
<b>Agenda despatched</b>	Monday, 27 June 2022

No.	Item	Page No.
1.	<b>APOLOGIES FOR ABSENCE</b>	
2.	<b>MINUTES</b> To confirm the minutes of the meeting held on 22 March 2022.	1 - 8
3.	<b>DECLARATIONS OF INTEREST</b> Members to declare any interest as appropriate, in respect of items to be considered at this meeting.	9 - 10
4.	<b>INTERNAL AUDIT COUNTER FRAUD UPDATE REPORT</b> The Chief Internal Auditor to submit a report providing Members with a 6 monthly update on counter fraud activity and the Fraud Log for 2021/22.	11 - 16
5.	<b>INTERNAL AUDIT ANNUAL REPORT AND OPINION</b> The Chief Internal Auditor to submit a report to satisfy the Accounts and Audit Regulations by providing Members with the opportunity to consider a report from the Head of the Council's Internal Audit function on the performance of Internal Audit during the year and the 'Internal Audit Opinion' on the Council's system of internal control and its arrangements for risk management and governance.	17 - 38
6.	<b>DRAFT ANNUAL GOVERNANCE STATEMENT</b> The Monitoring Officer to submit a report requesting that Members note the contents of the Draft Annual Governance Statement (AGS) for 2021/22.	39 - 70
7.	<b>INTERNAL AUDIT PROGRESS REPORT</b> The Chief Internal Auditor to submit a report to update Members on the progress made in delivering the 2022/23 Internal Audit Plan and key findings arising from audit assignments completed.	71 - 86
8.	<b>URGENT BUSINESS</b> To consider any other items that the Chair considers urgent.	

# Minutes

<b>Meeting name</b>	<b>Audit and Standards Committee</b>
<b>Date</b>	<b>Tuesday, 22 March 2022</b>
<b>Start time</b>	<b>6.30 pm</b>
<b>Venue</b>	<b>Parkside, Station Approach, Burton Street, Melton Mowbray, Leicestershire LE13 1GH</b>

## Present:

**Chair** Councillor D. Pritchett (Chair)

**Councillors** J. Illingworth (Vice-Chair) P. Chandler  
 E. Holmes P. Posnett MBE  
 T. Webster J. Douglas (Substitute)  
 C. Evans (Substitute)

**Officers** Chief Executive  
 Director for Corporate Services  
 Assistant Director for Governance & Democracy  
 Chief Internal Auditor  
 Democratic Services Officer (SE)  
 Democratic Services Officer (CR)

Minute No.	Minute
115	<p><b>Apologies for Absence</b> Apologies for absence were received from Councillors Fisher, Hewson and Steadman.</p>
116	<p><b>Minutes</b> The minutes of the meeting held on 18 January 2022 were confirmed.</p> <p>The exempt minutes of the meeting held on 18 January 2022 were confirmed subject the following amendment to the exemption clause:</p> <p><b>EXCLUSION OF THE PUBLIC</b></p> <p>RESOLVED that the Public be excluded during the consideration of the following item of business in accordance with Part 1 of Schedule 12A of the Local Government Act 1972 (Access to Information : Exempt Information) under paragraph 3.</p>
117	<p><b>Declarations of Interest</b> Councillor Posnett declared a personal interest in agenda item 7 – Risk Management Update March 2022, due to discussion on the Melton Mowbray Distributor Road. Councillor Posnett is also a Member of Leicestershire County Council.</p>
118	<p><b>Internal Audit Progress Report</b> Rachel Ashley-Caunt, Chief Internal Auditor introduced the report updating 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 highlighted the Internal Audit Progress Report at Appendix A, which set out all assignments within the current year's Internal Audit Plan, the status of the assignments as at the time of reporting and the outcomes of the assignments which had been completed. Good progress against delivery of the Internal Audit Plan had been made, with good outcomes and the positive assurance opinions should provide reassurance to Members on key areas. Any uncompleted assignments were progressing well and those finalised following this meeting would be included in the Annual Report at the next Committee meeting.</p> <p>Ms. Ashley-Caunt advised that at the time of reporting, a further 4 audits had completed, as detailed at section 2.5 of the report.</p> <ul style="list-style-type: none"> <li>• Procurement Compliance – This was an annual audit, whereby a sample of contracts awarded during the last 12 months were reviewed to confirm if they had complied with the Council's Contract Procedure Rules and if the Contracts Register was up to date. In previous years, Internal Audit had made a number of recommendations, particularly on retaining a good audit trail to evidence the procurement process and the compliance with the key rules and conditions. This year, compliance with the Contract Procedure</li> </ul>

Rules was confirmed on all samples tested and only minor issues, relating to sealing contracts and publishing award notices were identified. This reflected the training and awareness completed as a result of previous actions from audits over the last few years. There were some areas of the Contracts Register which needed to be developed and updated but as this was a work in progress, no formal recommendations had been made. This would be reviewed again next year. No formal recommendations had been made on Procurement Compliance and a good level of assurance overall had been issued.

- Performance and Risk Management Framework. Having reviewed the new Framework to check it was robust and how it was being complied with in practice, Internal Audit were satisfied. It was clear, concise, covered all key areas and focused on the Council's Corporate Strategy. Internal Audit were also satisfied on the coverage of the risk registers (Corporate and Directorate). There were no areas of concern on Performance, which worked well, ensuring accountability and transparency on how services were being delivered. There were no formal recommendations and a good level of assurance was issued.
- Covid-19 Recovery – This audit had been undertaken with all councils within the shared internal audit service. Internal Audit considered how the Council had responded to the pandemic (governance and decision making) and how it recovered effectively (lessons learned, changes to ways of working, business continuity plans links to general corporate and service planning etc). There were no areas of concern, no formal recommendations and Internal Audit had issued a substantial assurance opinion (the highest of all councils in the shared service).
- Project Management – Having reviewed a sample of five projects to consider if the Council's Project Management Framework was robust, covered all key areas and how it was being applied in practice, Internal Audit was impressed with the Framework. The Framework in place for project management was aligned with PRINCE2 (internationally recognised methodology, which many councils aspire to). There was a good, effective and consistent audit trail of how the projects had been managed and compliance was assessed easily due to the level of documentation available. An area for improvement was to ensure external advisers used the same methodology, to ensure consistency across all projects including those using external support. Whilst risk management was being well embedded within the projects, there was not a clear link between the Council's risk registers and the project risk registers, although, it was evident escalated risks had been added to the Strategic Risk Register (there was evidence in practice but not on the Framework and the procedures). There were no areas of concern but Internal Audit had made recommendations to strengthen some of the controls. A substantial assurance opinion was issued on the design for the very robust Framework and a good assurance opinion was issued for compliance, based on the sample of projects reviewed.

Ms. Ashley-Caunt highlighted the Implementation of Audit Recommendations, as detailed at Appendix 3, confirming that 10 recommendations had been implemented since the last Committee meeting. Of the overdue actions, 3 were high priority, with 1 being over 3 months overdue (Effectiveness of Case Management Arrangements 2019-20). This was detailed at Appendix 4 and included current status and a revised completion date of date of 30 April.

During discussion the following points were noted:

- Members noted the progress made and thanked staff for their work.
- In response to a concern raised over why all overdue actions were not detailed at Appendix 4, the Chief Internal Auditor clarified that Appendix 4 detailed only those high priority recommendations, which were overdue for implementation by 3 months or more. The 2 high priority recommendation due within the last 3 months but not implemented would be detailed in Appendix 4 if they reached over 3 months overdue.
- The Chief Internal Auditor clarified that the Compliance Assurances table detailed the various assurance statements which Members could receive at the completion of audit assignments. The audits reported to Members at this meeting had all been of good or substantial assurance.
- The Director for Corporate Services confirmed that the Intensive Housing Management Service had been in place for a considerable time (and may have been termed Supporting People previously). The service was for those who were vulnerable and required additional support such as a warden scheme etc.
- The Chair clarified that Internal Audit had completed its filed work and would report findings but the Planning Service Review was still underway, although temporarily paused.

**RESOLVED** that the report and progress made by the Internal Audit team in the delivery of the Audit Plan be **NOTED**.

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**Internal Audit Plan 2022/23**

Rachel Ashley-Caunt, Chief Internal Auditor submitted a report providing Members with a copy of the draft Internal Audit Plan for 2022/23 and the Internal Audit Charter for review and formal approval, in line with the requirements of the Public Sector Internal Audit Standards.

Ms. Ashley-Caunt advised that the report detailed the schedule of Internal Audit work to be delivered from 1 April 2022, which would inform the audit annual opinion. The Committee was aware of the process followed to develop the Internal Audit Plan (through consultation with Members of this Committee, Cabinet Members, Committee Chairs and Senior Management Team and review of key areas, risk registers and the Corporate Plan).

Ms. Ashley-Caunt drew Members attention to the Audit Plan as detailed as Appendix A, highlighting the following audits:

- Landlord Health and Safety - included on the Plan to follow up on progress made since the last audit of this area and provide assurance over compliance with legal duties for conducting relevant safety inspections and servicing in tenanted properties.
- Health and Leisure Project - included, engaging Internal Audit from the start of the project to provide real time audit assurances, including coverage on governance, risk management, grant usage and procurement and potentially to also provide assurances over the management of existing leisure assets.
- Cyber Security – this was a key risk for any council. Internal Audit would work with Council's ICT Partnership to gain an understanding and assurance on preventative and protective controls of the Council's IT systems.

Ms. Ashley-Caunt highlighted the Internal Audit Charter and Strategy, as detailed at

Appendix B. Submitted to the Committee annually, this document set out how Internal Audit delivered its service, in line with the Public Sector Internal Audit Standards.

Ms. Ashley-Caunt confirmed that the recommendation at paragraph 2.2 would enable Internal Audit to be responsive to changes in the Council's risk and governance framework. Any changes under this delegation would be reported to the Committee at its next meeting.

Councillor Pritchett commented that following consultation with Senior Leadership Team and Members, much consideration had been given to the audit assignments included in the Plan.

During discussion the following points were noted:

- Members were pleased with the inclusion of Licensing on the Plan and looked forward to the audit outcome.
- Members were pleased that Cyber Security had been included on the Plan, noting that this was an area of particular expertise.
- In response to a query as to why the Housing Allocation System had not been included on the Plan, Members were reassured that an audit on homelessness and housing allocations was undertaken on a cyclical basis. Consideration was given to temporary accommodation and those on the housing list being allocated properties. In addition, Management of the Housing Revenue Account (HRA) was included on the Plan. This included consideration of the HRA business plan, how this was being delivered and associated risks. The Housing Allocation System could be reviewed under 'associated risks'.

**RESOLVED** that

- (1) the Internal Audit Plan for 2022/23 be **REVIEWED** and **APPROVED**;
- (2) Delegated authority be **APPROVED** for the Director for Corporate Services, in consultation with the Chair of the Audit and Standards Committee, to agree amendments to the Plan during the financial year, if required;
- (3) the Internal Audit Charter and Strategy be **APPROVED**.

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### **Whistleblowing Policy & Update Report**

Kieran Stockley, Assistant Director for Governance and Democracy (Monitoring Officer) submitted a report seeking approval of a revised Whistleblowing Policy, which was required to comply with legislation and formed part of the Council internal governance controls.

Ms. Stockley advised that the Whistleblowing Policy was last reviewed and before this Committee in 2019 and it was good governance to ensure regular review. Robust processes were in place to deal with whistleblowing and a consistent approach was taken across the council. Following review, changes have been made to the Policy, as detailed at paragraph 5.5 of the report.

Ms Stockley confirmed that the draft Policy was considered by Joint Staff Working

Group on 3 March and 2 comments made by the Group were addressed at paragraph 5.9. Both comments were accommodated in the Policy and no further comments had been received.

During discussion the following points were noted:

- It was clarified that the highlighted sections within the Policy represented additions for Members' ease of reference.
- Members commented that this was an important Policy.
- It was confirmed that there had been no whistleblowing complaints made over the past year). 1 complaint had been made in 2014 and 1 a considerable time before that.

**RESOLVED** that

- (1) the revisions to the Whistleblowing policy be **NOTED** and **ENDORSED**;
- (2) it be **RECOMMENDED** to Council to approve the revised Whistleblowing Policy to be effective immediately.

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**Risk Management Update March 2022**

Dawn Garton, Director for Corporate Services submitted a report updating Members on the risk management arrangements and outlining the current significant risks which have been captured on the recent review of the Council's Strategic Risk Register by the Senior Leadership Team.

Mrs. Garton highlighted that the recent audit of Risk Management had provided good assurance over both the control environment and compliance with the Risk Management Framework. As well as providing an update on the Risk Register and the progress made since the last update on 28 September 2021, the report detailed the work planned for the coming months (i.e. a planned review and refresh of the current Policy and Strategy). The work would be undertaken by the Council's insurers and risk management advisors who would engage heavily with the Chair and Committee Members through a workshop and training session, with the aim of submitting the new Policy to Committee in September 2022.

During discussion the following points were noted:

- The Council had undertaken much work on leisure, which had extended the life of facilities.
- It was important that facilities met public need and were cost effective for the Council.
- Previous exploration on the feasibility of maintaining the 2 leisure centres in Melton found that this would be unaffordable.
- Through its Corporate Strategy, the Council had committed to a sustainable future for leisure facilities and the current review, using external funding and working closely with key stakeholders considered suitable options.
- The 2 current leisure sites did not meet all public needs (1 site had a pool and the other site had a large sports hall).
- Progress on the Housing Revenue Account (HRA) Business Plan had been

significant and this had not been underestimated. The Council would transition from the Housing Improvement Plan to the HRA Business Plan and the risk identified within the table at paragraph 5.3 would reduce significantly by the next Committee meeting.

- The Chief Executive reassured Members that the Council exercised a good degree of discretion and judgement around identifying the right level to reflect risk. There was a contractual obligation with Leicestershire County Council (LCC) and Holmes England to deliver the southern section of the Melton Mowbray Distributor Road (MMDR). This increased confidence and resulted in a lower risk rating for MMDR delivery. Work undertaken last year by the Council, in partnership with LCC colleagues was delivered successfully and the Council continued to work positively with LCC. There were plans to commence work clearance work within months and substantive work would be undertaken towards the end of this year. Any changes would be reflected in the risk rating.
- Members were please about that a risk around non-compliant and inefficient housing options and homelessness prevention service had been added to the Strategic Risk Register in September and that over the past 6 months, positive and proactive action had been taken to enable improvement and change.
- The Council's Housing Strategy linked with the Planning Service and mechanisms were in place to ensure that the properties needed were built, rather than those of developers' choosing.

The Chair commented that he understood the reasoning of the risk ratings for Leisure, the HRA Business Plan and the MMDR. He reminded Members of the Committee's role to oversee arrangements for risk management, ensuring that the correct arrangements were in place.

**RESOLVED** that the content of the report and the updated Strategic Risk Register and associated Risk Management Action Plan be **NOTED**.

122	<b>Urgent Business</b> There was no urgent business.
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The meeting closed at: 7.32 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

5 July 2022

Report of: Chief Internal Auditor

### Counter Fraud Update Report

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

#### 1 Summary

- 1.1 To provide Members with a six monthly update on counter fraud activity and the fraud log for 2021/22.

#### 2 RECOMMENDATION

That Committee:

- 2.1 Note the latest counter fraud activity and fraud log for 2021/22.

#### 2 Reason for Recommendations

- 2.1 To ensure the Committee has an oversight of the Council's investigation and 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.

## **4 Main Considerations**

4.1 In 2021/22 Internal Audit were notified of two alleged frauds which are summarised in the table in Appendix A to this report.

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

### **Prevention**

a) Providing advice and sharing intelligence in relation to business support grant frauds and alerts;

### **Detection**

b) Monitoring of the Council's 'Report Fraud' mailbox;

c) 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

d) Developing an NFI Strategy for adoption from 2022/23. This will ensure the Council seeks to maximise the benefit of participation in this exercise and co-ordinate completion of the key stages for the mandatory data matching;

### **Compliance**

e) Review of the Council's Fraud Risk Register and reference to this in planning Internal Audit coverage for 2022/23.

## **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

9.1 There are no legal implications arising directly from this report.

**Legal Implications reviewed by: Deputy Monitoring Officer 27.06.22**

## 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 Appendix A – Fraud Log

<b>Report Author:</b>	<b>Rachel Ashley-Caunt</b> , Chief Internal Auditor
<b>Report Author Contact Details:</b>	RAshley-Caunt@rutland.gov.uk
<b>Chief Officer Responsible:</b>	<b>Dawn Garton</b> , Director for Corporate Services
<b>Chief Officer Contact Details:</b>	01664 502444 DGarton@melton.gov.uk

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Table 1: Fraud Log 2021/22

Date	Summary	Value	Action taken
January 2022	Referral received regarding allegation of abandoned Council housing property.	Not applicable.	Multi agency response and engagement with tenant. Matter closed with no conclusion of fraud.
November 2021	Bank mandate fraud due to hacking of supplier's email account.	No loss to the Council.	<p>Investigation conducted by the bank, supplier and Finance team.</p> <p>Loss incurred by supplier (£4k) and found to be due to a breach of their IT systems. The Council has not been required to repay the respective invoice – as such, no financial loss incurred.</p> <p>The Council's controls exercised over verification of changes to supplier details have been further strengthened – i.e. requiring telephone verification in all cases. Targeted Internal Audit follow up testing conducted as part of key financial systems audit.</p>

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## Internal Audit Annual Report and Opinion 2021/22

<b>Corporate Priority:</b>	All
<b>Relevant Ward Member(s):</b>	All
<b>Date of consultation with Ward Member(s):</b>	Not applicable
<b>Exempt Information:</b>	No

### 1 Summary

- 1.1 The report provides the Committee with the Internal Audit Annual Report and Opinion for 2021/22, to inform the Annual Governance Statement.

### 2 RECOMMENDATION

That Committee:

- 2.1 Note the Internal Audit Annual Report and Opinion for 2021/22.

### 2 Reason for Recommendations

- 2.1 To provide the Committee with the Internal Audit Annual Report and Opinion for 2021/22, in line with the Public Sector Internal Audit Standards, and to inform the Council's Annual Governance Statement.

### 3 Background

- 3.1 The Public Sector Internal Audit Standards (the Standards) require the Chief Internal Auditor to provide an annual Internal Audit report and opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment) that can be used by the organisation to inform its Annual Governance Statement. This report provides a copy of the Annual Report which contains the annual opinion and the basis for this, for the Committee's attention.

## **4 Main Considerations**

- 4.1 The overall assurance opinion for 2021/22 is of Satisfactory Assurance. This reflects the significance of issues highlighted in internal audit reviews and the actions taken by management following audit recommendations.
- 4.2 Appendix A provides a copy of the Annual Report which includes the detailed Internal Audit opinion on the Council's control framework for 2021/22 and the basis for this opinion.
- 4.3 Delivery against the audit plan has been reported to the Audit and Standards Committee during 2021/22. A summary of all reports which have been finalised since the last committee meeting are provided within the Annual Report.
- 4.4 The report also provides an overview of implementation of agreed actions arising from audit assignments in 2021/22, investigation activity and conformance with the Public Sector Internal Audit Standards.

## **5 Consultation**

- 5.1 Not applicable.

## **6 Next Steps – Implementation and Communication**

- 6.1 The annual assurance opinion and report 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: Deputy Monitoring Officer 27.06.22**

## **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 Annual Report and Opinion 2021/22

<b>Report Author:</b>	<b>Rachel Ashley-Caunt</b> , Chief Internal Auditor
<b>Report Author Contact Details:</b>	RAshley-Caunt@rutland.gov.uk
<b>Chief Officer Responsible:</b>	<b>Dawn Garton</b> , Director for Corporate Services
<b>Chief Officer Contact Details:</b>	01664 502444 DGarton@melton.gov.uk

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**Annual Internal Audit Report & Opinion  
2021/22**

## 1. Introduction and context

- 1.1 This report outlines the internal audit work carried out by Internal Audit for the year ended 31<sup>st</sup> March 2022.
- 1.2 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. Internal Audit helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.
- 1.3 Internal Audit is a statutory requirement for local authorities, in accordance with:
- Section 151 of the Local Government Act 1972 – which requires every local authority to make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs; and
  - The Accounts and Audit Regulations 2018 (England) – which state that “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”.
- 1.4 Internal Audit independence is achieved by reporting lines which allow for unrestricted access to the Chief Executive, Senior Leadership Team (which includes the Section 151 Officer), and the Chair of the Audit & Standards Committee. Internal auditors have no direct operational responsibility or authority over any of the activities audited and the Internal Audit Charter sets out how independence and objectivity is maintained and evidenced.
- 1.5 The Public Sector Internal Audit Standards require the Chief Internal Auditor to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, which should provide a reasonable level of assurance, subject to the inherent limitations described below and set out in Appendix 1 and takes into account other sources of assurance, as appropriate. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.
- 1.6 As such, the Annual Report contains:
- the Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
  - a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
  - a statement on the extent of conformance with the Standards.

## 2. Head of Internal Audit Opinion 2021/22

2.1 Based upon the work undertaken by Internal Audit during the year, the Chief Internal Auditor's overall opinion on the Council's system of internal control is that:

I am satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control for 2021/22. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

It is my opinion that **Satisfactory Assurance** can be given over the adequacy and effectiveness of the Council's control environment for 2021/22. This control environment comprises of the system of internal control, governance arrangements and risk management.

### **Financial control**

Controls relating to the key financial systems which were reviewed during the year were concluded to be generally operating effectively, with opinions for control environment and compliance being of at least Satisfactory Assurance. A high priority recommendation relating to debt recovery will be subject to ongoing audit follow up to ensure controls are strengthened in this area.

### **Risk management**

Structures and processes for identifying, assessing and managing risk have been further developed and embedded during 2021/22. An audit of the revised Risk and Performance Management framework was delivered in 2021/22 and resulted in an opinion of Good Assurance for design and compliance.

### **Internal control**

For the audits completed in 2021/22, 93% of the opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance. The areas of Limited Assurance relate to Planning Enforcement and an action plan is in place to address the areas for improvement.

Of the recommended actions agreed during 2021/22, and due for implementation, 84% had been completed during the year.

The Council's IT network has been subject to review as part of the Public Sector Network compliance process and has valid certification, providing assurance over security measures.

There have been no incidences where Internal Audit have highlighted a fundamental risk or weakness during 2021/22 and management have sought to accept the risk, rather than take appropriate action.

Internal Audit has not been made aware of any further governance, risk or internal control issues which would reduce the above opinion. No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

- 2.2 The basis for this opinion is derived from an assessment of the individual opinions arising from assignments from the risk-based Internal Audit plan that have been undertaken throughout the year. Assurances from other sources have also been taken into consideration, where appropriate.
- 2.3 The assessment has taken account of the relative materiality of areas highlighted for improvement and management's progress in addressing any control weaknesses.

### 3. Summary of findings

- 3.1 All final reports have agreed action plans, dates and responsible officers, where required. The audit opinions arising from the work of Internal Audit are summarised in Table 1, split by assurance area.

Table 1 – Summary of audit opinions 2021/22:

Area	Substantial	Good	Satisfactory	Limited	No
Financial systems	-	1	1	-	-
Corporate Governance and Counter Fraud	2	4	-	-	-
Corporate controls and policy compliance	2	3	3	-	-
Delivery of corporate objectives	-	1	7	2	-
<b>Total</b>	<b>4</b>	<b>9</b>	<b>11</b>	<b>2</b>	<b>-</b>
<b>Summary</b>	<b>15%</b>	<b>34%</b>	<b>42%</b>	<b>7%</b>	<b>-</b>
<b>2020/21 comparison</b>	<b>15%</b>	<b>40%</b>	<b>40%</b>	<b>5%</b>	<b>-</b>

## 4. Review of audit coverage

### Audit opinion on individual audits

- 4.1 The Committee is reminded that the following assurance opinions were assigned during 2021/22:

Table 2 – Assurance categories:

Level of Assurance	Definition
Substantial	There are minimal control weaknesses that present very low risk to the control environment. The control environment has substantially operated and either no, or 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.

- 4.2 All individual reports represented in this Annual Report are final reports and, as such, the findings have been agreed with management, together with the accompanying action plans.

#### **Summary of audit work**

- 4.3 Table 3 details the assurance levels resulting from all audits undertaken in 2021/22 and the date of the Committee meeting at which the outcome of the audit was presented.
- 4.4 All completed assignments have been delivered in accordance with the agreed terms of reference and provide assurance in relation to the areas included in the specified scope.

Table 3 – Summary of audit opinions 2021/22:

<b>Audit Area</b>	<b>Design of Control Environment</b>	<b>Compliance</b>	<b>Organisational Impact</b>	<b>Committee Date</b>
<b>Financial systems</b>				
Financial System Key Controls	Good assurance	Satisfactory assurance	Minor	June 2022
<b>Governance &amp; Counter Fraud</b>				
Risk and performance framework	Good assurance	Good assurance	Minor	March 2022
Procurement compliance	Good assurance	Good assurance	Minor	March 2022
Covid 19 recovery	Substantial assurance	Substantial assurance	Minor	March 2022
<b>Key corporate controls and policies</b>				
Project management	Substantial assurance	Good assurance	Minor	March 2022
Starters and leavers	Good assurance	Satisfactory assurance	Moderate	June 2022
Procurement cards	Substantial assurance	Good assurance	Minor	September 2021
Asset management – leases	Satisfactory assurance	Satisfactory assurance	Minor	January 2022
<b>Delivery of Corporate Objectives</b>				
Land charges	Satisfactory assurance	Satisfactory assurance	Minor	November 2021
Planning Service review	Satisfactory assurance	Satisfactory assurance	Minor	June 2022
Planning enforcement	Limited assurance	Limited assurance	Moderate	June 2022
Temporary accommodation	Satisfactory assurance	Satisfactory assurance	Moderate	June 2022

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Community grants	Good assurance	Satisfactory assurance	Minor	September 2021

- 4.6 Audit outcomes have been reported to the Audit and Standards Committee during the 2021/22 financial year. All audit reports which were finalised since the last Audit and Standards Committee meeting are summarised in Appendix B to this report.
- 4.7 Audit coverage in relation to Local Taxation Fraud was of a consultancy nature and has resulted in a new NFI Strategy which will be adopted from 2022/23. The audit of the Intensive Housing Management service has not progressed pending conclusion of ongoing internal review of the service – Internal Audit will engage with this ongoing work in 2022/23. The audit of the Housing Repairs contract was delayed at management request until Q1 of 2022/23. The outcome of the audit will be reported to the Audit and Standards Committee once finalised.

#### **Implementation of Internal Audit recommendations**

- 4.8 Internal Audit follow up on progress made against all recommendations arising from completed assignments to ensure that they have been fully and promptly implemented. Internal Audit trace follow up action on a monthly basis.
- 4.9 A total of 22 audit recommendations have been implemented by officers during 2021/22, this relates to 16 actions from 2021/22 audits and 6 actions from previous years.
- 4.10 Details of the implementation rate for the audit recommendations made during 2021/22 are provided in Table 4, as at 31<sup>st</sup> March 2022. In addition to these, there remained 14 audit actions outstanding from previous financial years – these are detailed in Table 5.

Table 4 - Implementation of audit recommendations agreed in 2021/22:

	'High' priority	'Medium' priority	'Low' priority	Total
Agreed and implemented	-	7	9	16 (30%)
Agreed and not yet due for implementation	7	18	7	32 (60%)
Agreed and due within last 3 months, but not implemented	-	-	-	- -
Agreed and due over 3 months ago, but not implemented	-	2	1	3 (8%)
<b>TOTAL</b>	<b>7</b>	<b>28</b>	<b>18</b>	<b>53</b> <b>(100%)</b>

4.11 A full overview of all overdue actions is provided in Table 5. This includes the three overdue actions relating to 2021/22 audits and a further 14 which remained overdue from previous financial years.

Table 5 - Summary of overdue recommendations from 2021/22

Audit area	Audit Year	High		Medium		Low	
		Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue
Financial systems key controls – benefit overpayment and rent recovery	2019/20	-	-	2	-	2	-
Intensive housing management service	2019/20	1	-	-	-	-	-

Audit area	Audit Year	High		Medium		Low	
		Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue
Financial systems – debt recovery policy	2020/21	-	-	1	-	-	1
Housing repairs	2020/21	2	-	-	-	-	-
Lifeline	2020/21	-	-	1	-	-	-
Rent arrears	2020/21	-	-	1	-	1	-
Ethics and equalities – HR recruitment policies	2020/21	-	-	1	-	1	-
Community grants – monitoring and usage	2021/22	-	-	2	-	1	-
<b>Totals</b>		<b>3</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>5</b>	<b>1</b>

## 5. Internal Audit contribution and performance

### Added value

- 5.1 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to management and Members via its programme of work and also offers support and advice to assist the Council in new areas of work.
- 5.2 During 2021/22, the Internal Audit service was delivered under the shared service arrangement led by Milton Keynes Council. From 1<sup>st</sup> April 2022, this service is to be led by the new North Northamptonshire Council Internal Audit service.
- 5.3 The Internal Audit service's performance against its key performance indicators for 2021/22 is summarised in Table 6.

Table 6 – Internal Audit KPIs 2021/22

Indicator description	Target	Actual
Delivery of the agreed annual Internal Audit Plan to at least draft report stage by 31 <sup>st</sup> March 2022 (excluding audits delayed at management request)	90%	100%
Overall delivery of the agreed annual Internal Audit Plan by deadline for Annual Report (excluding audits delayed at management request)	100%	100%
Customer Feedback – rating on a scale of 1 to 4 (average)  Whereby:  1 = Poor, 2 = Satisfactory, 3 = Good and 4 = Outstanding	3.2 (average)	3.6 (average)

### Internal Audit contribution in wider areas

- 5.4 Key additional areas of Internal Audit contribution to the Council in 2021/22 are set out in Table 7:

Table 7 – Internal Audit contribution

Area of Activity	Benefit to the Council
Sharing advice and fraud alerts in relation to the Covid-19 business grants.	Pro-active counter fraud support and learning from other authorities.

Area of Activity	Benefit to the Council
Providing a point of contact for Whistleblowing, to enable concerns to be raised directly with Internal Audit.	Supporting the Council in its Counter Fraud strategy and reinforcing a zero tolerance culture.
Maintaining good working relationships with External Audit.	Maximising value of audit resources.
Ad hoc advice and assistance.	Assistance with ad-hoc queries and advice. Raising the profile of Internal Audit with service leads to increase the effectiveness of the service.

### Professional Standards

- 5.5 The Public Sector Internal Audit Standards (PSIAS) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.
- 5.6 The objectives of the PSIAS are to:
- Define the nature of internal auditing within the UK public sector;
  - Set basic principles for carrying out internal audit in the UK public sector;
  - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
  - Establish the basis for the evaluation of internal audit performance and to drive improvement planning.
- 5.7 During 2021/22, the Internal Audit service was delegated to a shared service led by Milton Keynes Council. A detailed self-assessment against the PSIAS was completed by the Chief Internal Auditor and the outcome of the assessment was that the Internal Audit service was operating in general conformance with the Standards.
- 5.8 From 1<sup>st</sup> April 2022, the Internal Audit service is being delivered in house and a Quality Improvement Plan is being drafted by the Chief Internal Auditor to support ongoing development, in line with the Standards. Assessment against the Standards will be embedded in the delivery of the service and ongoing development work. An external assessment must be completed at least every five years and the timing and outcome of such external assessments will be reported to the Audit and Standards committee.
- 5.9 The Chief Internal Auditor can confirm that there has been no evidence of impairment of the independence of the Internal Audit team during 2021/22 and no auditors have reviewed systems/controls which they have been responsible for delivering.

## Appendix A: Limitations and responsibilities

### Limitations inherent to the Internal Audit's work:

Our work has been performed subject to the limitations outlined below:

#### Opinion

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our agreed annual programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence management and the Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

#### Internal control

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

#### Future periods

Our assessment of controls relating to the areas audited is for the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022. Historic 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, regulation or other; 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 and 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.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities.

However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

## Appendix B: Audit reports finalised since last Audit & Standards Committee meeting

### Financial system key controls

The Council operates a number of systems designed to ensure that transactions are recorded in a timely, accurate and complete manner, free from fraud or error. These systems are often referred to as 'Key' or 'Fundamental' financial systems. The Council's Chief Financial (section 151) Officer is required to include a statement in the annual accounts to certify that proper accounting records have been kept that are up to date and reasonable steps have been taken for the prevention and detection of fraud and other irregularities. Internal Audit's control evaluation and compliance testing supports the s151 officer in exercising this duty and combines a risk based approach to areas highlighted during the last twelve months as increased risk, with a cyclical approach to coverage of key financial systems.

The audit this year provided cyclical coverage on key controls relating to: financial system user access and the creditors system (accounts payable). Further targeted, risk based testing was also conducted on elements of debt recovery and changes to supplier bank details.

The Council implemented a new finance system, E-Financials (Advanced) in April 2021 and audit testing confirmed that controls over user access have been designed and implemented effectively, ensuring that users are only given access that is commensurate to their roles and responsibilities.

Adequate segregation of duties and delegated, approved ordering and payment authorisation limits are in place and complied with for processing creditor invoices. New suppliers and changes to supplier bank details are well controlled with supporting documentation held. Sample testing of five changes to supplier details, however, identified two changes, that were not independently verified by telephone, in line with expected procedure. These two cases were considered to be lower risk, due to the nature of, and value spent with, those suppliers, but a revised procedure was implemented by the finance team during the audit to address this finding.

The Council has an approved policy for debt recovery. Roles and responsibilities and priorities relating to debt recovery are clearly defined. Aged debt reports are reviewed monthly and shared between the revenues team and service areas to assist with debt collection. Aged debt reports dated 4<sup>th</sup> January 2022 confirmed a sundry debt total of £1,119,428.64 of which 81% was overdue more than 90 days. Testing of 25 overdue accounts identified that in eleven cases (44%) there no evidence of any recent (i.e. in the last three months) recovery action being taken.

Bad debt write offs processed in 2021/22 (£7,196.92) were all approved in line with Council policy and reported to Cabinet where required. Furthermore, the total sundry debt arrears value is reported regularly to Members as part of the corporate performance framework, however this could be enhanced further by setting specific key performance indicators for sundry debt to help monitor performance and allow for sufficient oversight and scrutiny.

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

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

## Starters and leavers

It is important that the Council has appropriate arrangements in place for new starters to avoid any disruption to service delivery and to ensure prompt and accurate payment of salary. In addition, sufficient procedures should be in place to ensure that all relevant parties are notified of, and act upon, leaver end dates in an effective and timely manner to mitigate the risks of inappropriate access to Council property and information.

Internal audit sought assurance over the controls in place for managing new starters at the Council, and the leavers process, including setting up new starters with relevant accesses and revoking this promptly for leavers, including agency and interim workers.

There have been 54 starters and 42 leavers since April 2021. Audit sample testing of six new starters (incl. off payroll staff) confirmed that controls are broadly operating as intended. HR, Payroll, and IT were all notified of each starter and access to ICT equipment and Council buildings was granted promptly. System administrators were, however, not notified in 60% of cases in sample testing, which could have led to delays in granting access to relevant Council systems.

The Council is reliant on line managers informing relevant departments if an individual is leaving employment. Whilst two leaver forms (HR & ICT) are used by the Council, audit testing identified that line managers are not consistently complying with the process. This has led to audit identifying two individuals in a sample of six that had active ID cards, allowing them to have access to the building, as well as ICT equipment (a laptop) not being located for one employee that left in July 2020. In all three instances, ICT access had been revoked and none of the employees had used their ID card since their last employment date. The missing equipment has not been located as at time of producing the annual report (June 2022).

The process for notifying HR and payroll of a leaver or a starter was found to be operating well and no anomalies were identified in this area i.e. no late notifications to payroll which would lead to overpayments.

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

Assurance Opinion		
Control environment	Good	
Compliance	Satisfactory	
Organisational impact	Moderate	

## Planning Service review

In March 2019, the former Interim Director for Growth and Regeneration completed a planning service review which identified multiple recommendations to improve the planning service. There were 110 detailed recommendations in the 2019 report. Management grouped these recommendations into themed mini-projects to aid in their implementation. Certain recommendations were not taken forward as they were thought to have been covered by implementation of other parallel actions. Others were deferred due to COVID restrictions or to link into other work, such as review of the Local Plan. Consequently, the agreed scope of this audit was to review the Council's overall approach to determining which recommendations to take forward and the associated governance arrangements to manage delivery. This was not a review of the planning service as a whole. The audit did not seek to examine the implementation of all recommendations arising from the 2019 report but focused on a sample of areas agreed by management, specifically: process review; performance framework; and

application of policies/regulation. Planning enforcement has been subject to a separate audit review and has not therefore been included in this review or report.

It is for the Council and management to decide whether or not to implement the recommendations arising from any particular service review or report. Given the Council's approach of addressing the 2019 review through themed projects rather than individual recommendations, it has not been possible to provide a clear conclusion on the overall level of implementation of the 2019 report's findings. Evidence was provided to demonstrate that most areas have been addressed and explanations and justifications were provided for determining which areas to take forward and which would feed into other, related, projects/processes. Appropriate governance arrangements were applied to ensure effective management and delivery of the specific areas within the scope of the Internal Audit review. However, the fragmented approach and lack of application of a formal project management methodology means that it is not possible at this stage to demonstrate whether or not the expected outcomes and improvements have been delivered. It is recommended that officers undertake a stock-take and post-implementation review to provide the necessary assurance that the remaining areas for improvement have been progressed and that the outcomes and improvements arising from the original review have been delivered.

The review of application of policies and regulations has resulted in improvements to Planning Committee processes and work undertaken by the Planning Advisory Service to carry out sample testing of the application of policies and regulations has provided positive feedback. Audit sample testing confirmed that new streamlined operational processing of planning applications was fully embedded with the objective to eradicate waste and inefficiency. However, there is currently no means to measure the impact of these efficiencies. A revised Performance Framework has been created and will 'go-live' in April 2022 but there remains scope to strengthen and further develop the proposed performance indicators to include more qualitative information, including levels of customer satisfaction.

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

Assurance Opinion		
<b>Control environment</b>	Satisfactory	
<b>Compliance</b>	Satisfactory	
<b>Organisational impact</b>	Minor	

### **Planning enforcement**

The primary aim of planning enforcement is to achieve a balance between freedom of landowners to use and alter their land or properties whilst at the same time needing to safeguard amenities from significant harm. The regulatory framework is set out in the Town and Country Planning Act 1990 together with the National Planning Policy Framework (NPPF). Guidance is also provided in the enforcement handbook of the National Association of Planning Enforcement (NAPE). The audit was invited by the Council's management team following concerns raised by Members and the team regarding capability and capacity within this area. The change in leadership in planning offered an opportunity to pause, review current practices and identify improvements for enhanced service delivery.

The Council commissioned a review of its planning services in 2019 which concluded that the approach to enforcement, at that time, was unsatisfactory and given insufficient priority and resources. The lack of sufficient proactivity in pursuing unauthorised development and monitoring implementation of conditions was reported as a major concern for Members. The

report made a number of recommendations for improvement, including the cessation of enforcement work by Planning Officers and appointment of one or two dedicated planning enforcement and conditions monitoring post(s).

Based on the findings of this review, whilst some progress has been made, there remains insufficient capacity and expertise to deliver an effective planning enforcement service. Following the 2019 review, an additional post was created to undertake both licensing and planning enforcement work, thereby increasing the planning enforcement capacity by 0.5FTEs. The post was designed in a supporting capacity and the officer appointed to the role has no planning enforcement experience or qualifications. Planning Officers continue to undertake enforcement work but inevitably give priority to their planning application caseload, meaning the enforcement officer role has expanded into undertaking full enforcement case work but without the benefit of a suitable policy or support framework. Consequently, whilst officers have stated that there has been no increase in unauthorised developments, the quality and timeliness of enforcement work remains inadequate and there are a large number of open cases. In addition, there remains no capacity to undertake any proactive conditions monitoring work.

It is recognised that the Council has modest enforcement resources and that proactive steps have been taken to increase capacity in three areas since 2019 (environment, licensing and planning). However, in order to provide a fully effective and professional planning enforcement function, additional resources need to be put in place to deliver the service with a clear policy framework, operational procedure, customer standards, documentation protocols and performance management arrangements.

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

<b>Assurance Opinion</b>		
<b>Control environment</b>	Limited	
<b>Compliance</b>	Limited	
<b>Organisational impact</b>	Moderate	

### **Temporary accommodation**

The risk of a non-compliant and inefficient housing options and homelessness prevention service had been identified by the Senior Leadership Team (SLT) and captured within the Council’s strategic risk register in September 2021. Following robust monitoring by the Director for Housing and Communities, and significant progress in implementing the relevant actions, this risk is now captured within a directorate risk register, with a reduced RAG rating of amber.

The scope of the audit included a review of the Council’s policies, procedures and IT systems in relation to the provision of temporary accommodation, and the controls in place to provide assurance that placements are in line with the relevant legislation, regulatory and eligibility requirements, whilst maximising value for money.

Effective controls exist to confirm the eligibility of homeless households placed in temporary accommodation. Current record-keeping arrangements will require strengthening to provide assurance that placements are in line with the relevant procedures and eligibility requirements. In addition, personal housing plans should be fully completed and retained on file to demonstrate the Council’s commitment to the prevention and relief of homelessness.

A collaborative decision-making process exists in relation to temporary accommodation placements. Formalised review and approval of decisions would demonstrate that a separation of duties exists going forward, whilst the documenting of operational procedures may further enhance control and improve operational efficiency.

Temporary accommodation placements are currently procured in response to demand, on a spot purchase basis, with a £12,050 overspend forecast for this financial year. The introduction of a procurement strategy would aid the Council in forecasting and meeting demand for the coming year, whilst providing a framework for ensuring robust procurement processes that maximise value for money. It is also noted that monitoring procedures require strengthening to provide assurance that all relevant costs (i.e. service charges) are being recovered.

Temporary accommodation properties are not currently subject to health and safety inspections, and statutory compliance evidence is not currently obtained for bed and breakfast or hotel accommodation.

The accounting for costs associated with Council owned housing for temporary accommodation requires review to ensure these are all consistently and accurately charged to the general fund.

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

<b>Assurance Opinion</b>		
<b>Control environment</b>	Satisfactory	●
<b>Compliance</b>	Satisfactory	●
<b>Organisational impact</b>	Moderate	●

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## Audit and Standards

5 July 2022

Report of: The Monitoring Officer

### Draft Annual Governance Statement

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

#### 1 Summary

- 1.1 This report requests that the Committee note the contents of the draft Annual Governance Statement (AGS) for 2021/22 which is a key component of the Council's governance arrangements. It is required to meet the statutory requirement for the Council to approve an AGS alongside its published Statement of Accounts (SoA) for 2021/22. Due to the temporary change in the regulations covering the reporting deadlines for the draft and audited statement of accounts a draft version of the AGS is being presented to members which will be published alongside the draft statement of accounts which will then be subject to a review by external audit. A final version will then be produced for formal sign off.

#### 2 Recommendations

**That Committee:**

- 2.1 **Note the Council's draft Annual Governance Statement (AGS), as set out in Appendix A to this report;**

#### 3 Reason for Recommendations

- 3.1 A draft AGS is being presented to this Committee to enable members the opportunity to consider and provide any relevant comments before it is published as a draft alongside the

draft statement of accounts submitted to external audit for review. It is common practice for the AGS to be presented alongside the internal audit annual report.

## 4 Background

### Annual Governance Statement

- 4.1 The Council is responsible for and fully committed to ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for.
- 4.2 The Accounts and Audit (England) Regulations 2015 requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) with the Council's financial statements. In discharging this overall responsibility members and senior officers are responsible for putting in place proper arrangements (known as the governance framework) for the governance of the Council's affairs and facilitating the effective exercise of its functions. This includes:
- 4.2.1 setting the strategic direction, vision, culture, and values of the Council;
  - 4.2.2 the effective operation of corporate systems, processes and internal controls;
  - 4.2.3 engaging with and leading the community;
  - 4.2.4 monitoring whether strategic priorities and outcomes have been achieved;
  - 4.2.5 ensuring that services are delivered cost-effectively;
  - 4.2.6 maintaining appropriate arrangements for the management of risk; and
  - 4.2.7 ensuring the Council complies with the Statement on the role of the Chief Financial Officer in Local Government
- 4.3 The purpose of the AGS process is to provide a continuous review of the effectiveness of the Council's internal control and risk management systems, so as to give assurance of their effectiveness and/or to produce a management action plan to address identified weaknesses in either process.
- 4.4 CIPFA's proper practice requires the most senior officer (the Chief Executive) and the most senior member (the Leader of the Council) to sign the AGS. Accordingly they must be satisfied that the document is supported by reliable evidence and accurately reflects the internal control environment. This emphasises that the document is about all corporate controls and is not just confined to financial issues
- 4.5 The Council has a responsibility to ensure that its business is conducted in accordance with the law and proper standards, that public money is safe-guarded, properly accounted for and used economically, efficiently and effectively. In discharging these overall obligations, the Council is responsible for putting in place appropriate arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control that facilitates the effective exercise of its functions and includes arrangements for

the management of risk. The overall system of controls across the Council contributes to the effective corporate governance of the organisation.

- 4.6 Governance reporting has been a requirement within local government since 2001, when CIPFA/SOLACE produced a joint publication on Corporate Governance in Local Government. An updated version was published in 2007, the CIPFA/SOLACE Framework Good Governance in Local Government. This replaced the requirement for Councils to produce an annual Statement of Internal Control (SIC), with a duty to publish an Annual Governance Statement (AGS) against which they will be judged.
- 4.7 The framework is a discretionary code and provides a framework with seven core principles of good governance.
- 4.7.1 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
  - 4.7.2 Ensuring openness and comprehensive stakeholder engagement.
  - 4.7.3 Defining outcomes in terms of sustainable economic, social and environmental benefits.
  - 4.7.4 Determining the interventions necessary to optimise the achievement of the intended outcomes.
  - 4.7.5 Determining the entity's capacity, including the capability of its leadership and the individuals within it.
  - 4.7.6 Managing risks and performance through robust internal control and strong public financial management.
  - 4.7.7 Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 4.8 The principles focus on the systems and processes in respect of the direction and control of the organisation and its activities through which it accounts to, engages with and leads the community. The framework emphasises that good governance should be embedded throughout the authority and that, as a result, the statement should be corporately owned.
- 4.9 An important element of the process of assurance is the need for continuous monitoring and annual reviews of our corporate governance arrangements. This results in the Council reviewing the Local Code of Corporate Governance, agreeing an Annual Governance Statement (AGS) and agreeing a new action plan to further strengthen our governance arrangements. This annual review process is designed to ensure that the ethos of excellent Corporate Governance is embedded in all decisions made by the Council.
- 4.10 Whilst this process of review is co-ordinated corporately and ultimately approved by the Chief Executive and Leader of the Council, Directors, Assistant Directors and Service Managers have a responsibility to ensure their own governance arrangements are adequate and operating effectively. Each Director is required to make an annual statement confirming this is the case.

## 5 Main Considerations

### Annual Governance Statement

- 5.1 The AGS is set out at Appendix A and follows CIPFA/SOLACE guidance using a best practice format as set out in the CIPFA guide – ‘Delivering Good Governance in Local Government Framework’.
- 5.2 The AGS is a dynamic document, reflecting improvements to the Council’s governance arrangements as and when these are made. As such, it therefore forms a key part of those governance arrangements, as it can be used to give assurance to stakeholders that the Council is properly and effectively managed
- 5.3 This is a draft statement to be approved for publication alongside the draft financial statements. The Framework provides guidance on what the statement should contain including:
- responsibilities for ensuring there is a sound system of governance (incorporating the system of internal control)
  - an indication of the level of assurance that the systems and processes that comprise the Council’s governance arrangements can provide;
  - a brief description of the key elements of the governance framework, including reference to group activities where these are significant;
  - a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance framework including reference to the roles of various Members/Officers in this process;
  - an outline of the actions taken, or proposed to deal with significant governance issues, including an agreed action plan.
- 5.4 To enable us to produce the AGS, a robust in year and year-end review process has been developed. As previously, effective management of key risks to achievement of corporate objectives (and demonstration of this) underpins the assurance process. The following sources of assurance are used to help prepare the Annual Governance Statement:
- 5.4.1 Internal Audit reports
  - 5.4.2 External Audit reports (including the Annual Audit Letter)
  - 5.4.3 Director/Manager Assurance
  - 5.4.4 Local Government Ombudsman Reports
  - 5.4.5 Performance Management
  - 5.5.5 Financial control assurance
  - 5.5.6 Risk registers and action plans
  - 5.5.7 Other inspection reports
  - 5.5.8 Legal and regulatory assurance

5.5.9 Other sources of assurance (e.g. third party)

5.5.10 Member's assurance (e.g. standards)

5.5 At the end of the AGS it sets out areas for improvement, addressing these areas will be a priority for a number of Officers during the coming months. Progress will be monitored through the Council's performance monitoring arrangements.

5.6 The overall conclusion from this annual review is that the Council continues to have effective arrangements in place to protect the Council's interests and promote good governance.

## **6 Options Considered**

6.1 The council is required to approve and publish an AGS annually.

## **7 Consultation**

7.1 The Senior Leadership Team have been consulted on the detailed documents that underpin this process as part of the drafting process as well as the Head of Internal audit. All comments have been incorporated

7.2 The council's external auditor will review the AGS as part of the annual audit and their comments will be incorporated before a final statement is produced, signed and published.

## **8 Next Steps – Implementation and Communication**

8.1 The draft AGS will be subject to external audit which might result in changes being made. The final version will be presented to this Committee alongside the SoA and the external audit report. The timescale for this will be informed by the timing of the external audit which has yet to be scheduled. Once the final version is approved the statement will be signed by the Chief Executive and Leader and published on the website alongside the Statement of Accounts.

## **9 Financial Implications**

9.1 There are no direct financial implications associated with this process.

**Financial Implications reviewed by: Dawn Garton, Director for Corporate Services**

## **10 Legal and Governance Implications**

10.1 The Accounts and Audit (England) Regulations 2015 requires the Council to conduct a review at least once a year of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS) with the Council's financial statements.

**Legal Implications reviewed by: Deputy Monitoring Officer 23.06.22**

## **11 Equality and Safeguarding Implications**

11.1 There are no direct implications arising.

## **12 Community Safety Implications**

12.1 There are no direct implications arising.

## **13 Environmental and Climate Change Implications**

13.1 There are no direct implications arising.

## **14 Other Implications (where significant)**

14.1 There are no other implications arising.

## **15 Risk & Mitigation**

15.1 The AGS considers the various risks facing the council as a key piece of information informing the review.

## **16 Background Papers**

16.1 There are no background papers

## **17 Appendices**

17.1 Appendix A – Draft Annual Governance Statement

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<b>Chief Officer Responsible:</b>	<i>Dawn Garton Director for Corporate Services</i>
<b>Chief Officer Contact Details:</b>	01664502444 dgarton@melton.gov.uk

## Annual Governance Statement 2021/2022

### **Executive Summary:**

Melton Borough Council is committed to improving the lives of all residents and creating opportunity and prosperity for local people and businesses.

This commitment is set out in the council's Corporate Strategy which describes how the council will meet the challenges ahead and make the most of opportunities. To be successful the council must have a solid foundation of good governance and sound financial management.

The Council's Local Code of Corporate Governance sets out how we aspire to and ensure that we are doing the right things, in the right way and in line with our values.

Each year the council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements set out in the Local Code have been working. This statement gives assurances on compliance for the year ending 31 March 2022 and up to the date of approval of the statement of accounts.

The AGS shows that in many areas the Council has very effective arrangements in place. We will continue to review, streamline and improve our processes to ensure these arrangements remain effective, now and into the future.

Throughout the period covered by this statement the coronavirus pandemic continued to have a significant impact upon the Council's services. Despite the significant challenges, the Council, together with its partners, has continued to deliver and co-ordinate services, alongside providing a robust and effective response to the pandemic.

The Leader and Chief Executive confirm they have been advised of the implications of the review of governance arrangements by Senior Management and the Audit and Standards Committee and are satisfied that the arrangements continue to be regarded as fit for purpose and the steps outlined in this document will address the areas identified for improvement.

Signed on behalf of Melton Borough Council:

Chief Executive

Leader

## **Contents:**

1. Introduction
2. The Governance Framework
3. The Key Elements of the Governance Framework
4. How we comply with the CIPFA/SOLACE Framework
5. Impact of Covid-19 on Governance
6. Review of Effectiveness during 2021/22
7. Overall Opinion and Conclusion

## Introduction

Melton Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging the overall responsibility, the Council is responsible for putting into place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions which includes arrangements for the management of risk.

The Council adopted a revised Local Code of Corporate Governance in 2021, which is consistent with the principles of the CIPFA/ SOLACE Framework 'Delivering Good Governance in Local Government' 2016. A copy of the Code is available on our website at [www.melton.gov.uk](http://www.melton.gov.uk) or can be obtained from the Council Offices in Melton Mowbray upon request. This Statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the preparation and approval of an Annual Governance Statement.

The Council's arrangements comply with each of the principles in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government.

The Annual Governance Statement assesses governance in place during 2021/22 recognising that some of the year was affected by coronavirus and therefore the conclusion on whether or not governance is fit for purpose reflects both normal operations and those operations under the easing of covid restrictions. A conclusion for each has been included at the end of the Statement to reflect the impact of the COVID-19 pandemic on governance.

## The Governance Framework

### The Purpose of the Governance Framework

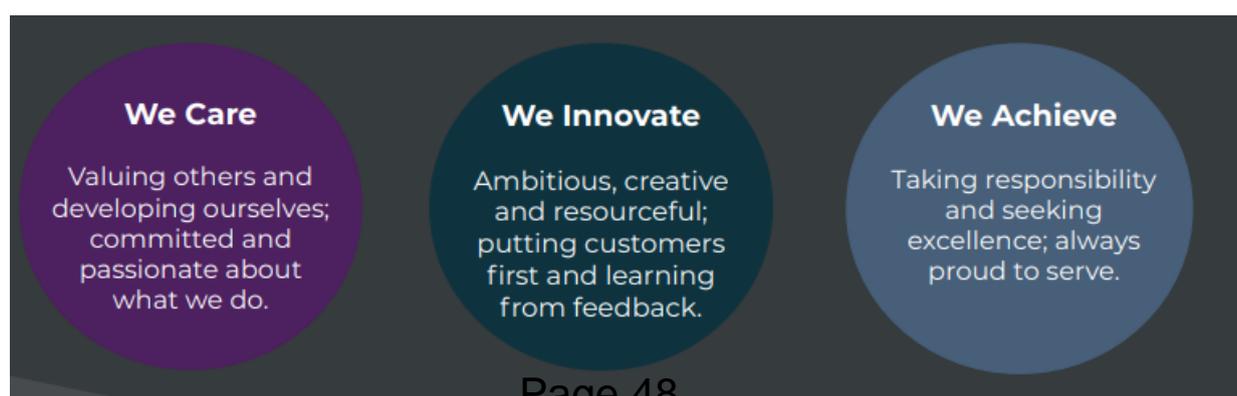
The governance framework comprises the systems, processes, culture and values, by which the Authority is controlled. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The Authority's system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk or failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically. The governance framework has been in place for the year ending 31 March 2022, and up to the date of the approval of the Statement of Accounts.

### The Governance Framework- Our Vision, Priorities and Values

The Council's vision, priorities and values are set out in the Corporate Strategy which was adopted by Council in September 2020 following an update to take into account the impact of Covid. The new Strategy confirmed the Council's Mission as "Helping People, Shaping Places". The identified priorities support this and are detailed in a series of critical activities which are incorporated into Action Plans managed by relevant Directors as members of the Senior Leadership Team and the Medium Term Financial Strategy. The Council's vision is:

*"We want to be a first-class council: on the side of our communities and providing great services, where the customer comes first. We want to help people reach their potential, support the most vulnerable, and protect our rural environment. We want to provide more and better homes, create better jobs and regenerate the town. We want to ensure Melton prospers, benefitting those who live here and attracting others to visit and invest"*

The Council's values are:



The Council's strategy is designed to present a clear focus for the council during this time and is separated into six priority areas:

- 1. Excellent services positively impacting on our communities**
- 2. Providing high quality council homes and landlord services**
- 3. Delivering sustainable and inclusive growth in Melton**
- 4. Protect our climate and enhance our natural environment**
- 5. Ensuring the right conditions to support delivery (inward)**
- 6. Connected and led by our community (outward)**

The strategy has been developed using a range of sources to ensure it is evidence based and responds to the issues facing both the council and the community. Further details of the resources and evidence used to develop the strategy can be found on the website: <https://www.melton.gov.uk/strategies/corporate-plans/corporate-strategy-2020-2024/>

Whilst strategies should be long term, they must always be kept under regular review. The State of Melton Report includes key information to guide Councillors and Officers as they consider which areas of our corporate strategy need a particular focus at any given time. By using this document at the outset of the budget setting process, it allows the Council to consider how most effectively to use and reallocate resources to areas of greatest need. It also helps us to check that nothing is missing from our strategy and that it stays relevant and maximises impact. It can be found here [State of the Borough 2021 \(melton.gov.uk\)](#)

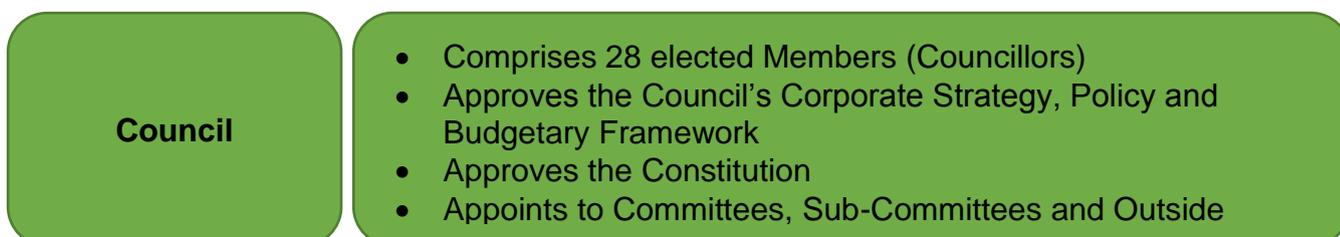
## The key elements of the Governance Framework

### Role of Governance Arrangements

From May 2019, the Council has operated Executive governance arrangements, which consist of a Cabinet and Scrutiny function. All Cabinet members have been allocated a specific portfolio and are responsible for driving forward the Council's key strategic aims.

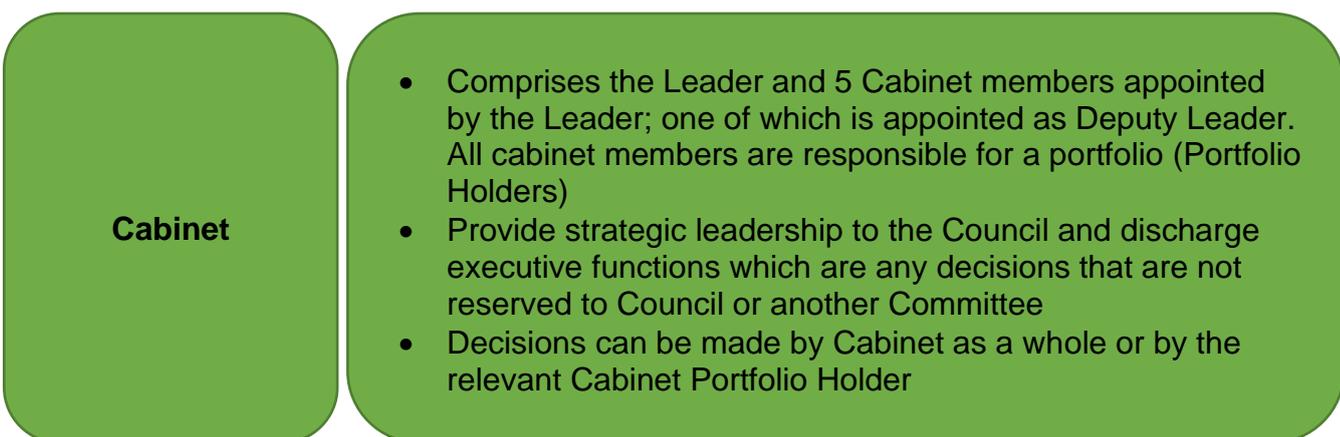
The Council has a constitution which sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent, and accountable to local people. This was approved in May 2021 and reviewed throughout the year.

### Role of the Council



The extent of the role of Council in reviewing and monitoring effectiveness of internal control is set out in the Council's Constitution.

### Role of Cabinet



Cabinet regularly considers strategic risk registers, performance, complaints and other items which make up the governance framework. Scrutiny Committee are encouraged to scrutinise Cabinet's work plan and consider as appropriate.

Cabinet provides strategic leadership to the Authority and is held to account by the Council's Scrutiny Committee.

## Role of Scrutiny

### Scrutiny

- Not a decision-making body but seek to influence policies and decisions prior to them being made
- Have the ability to challenge/review decisions by calling them in
- Can investigate issues of public importance

## Role of Audit and Standards Committee

### Audit & Standards

- To provide independent assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment.
- Approves the Local Code of Corporate Governance, The Annual Governance Statement, and the Statement of

The Committee meets with the external auditor to discuss findings in the Annual Audit Management Letter and Reports. The Committee is responsible for ensuring that the Council's system for internal control is sound by reviewing control mechanisms, and guidelines (both internal and external) as well as adherence to these; ensuring continued probity and good governance of the Council's operations. There is regular liaison with the Council's Internal Auditor. Internal Audit has direct access to the Chair of Audit and Standards Committee and there is regular reporting by Internal Audit to each meeting of the committee.

## Role of Management

The Authority has two layers of management and its management teams each play an important role in maintaining the governance framework.

### Senior Leadership Team (SLT)

- Implements policy and budgetary framework set by Council and provides advice to Committees of the Council on the development of future policy, procedure and budgetary issues
- Oversees the delivery of the Council's Corporate Strategy and implementation of Council Policy
- Oversees the implementation of audit recommendations to improve weaknesses in controls in a timely manner

### Operational Leadership Team (OLT)

- Responsible for developing, maintaining and implementing the Council's governance risk and control framework
- Contribute to the effective corporate management and governance of the Council
- Responsible for ensuring that audit recommendations to improve weaknesses in controls are actioned in a timely manner

The Senior Leadership Team (“SLT”) comprising the Chief Executive, Directors and the Monitoring Officer meet weekly and focus on strategic issues, projects and programmes and the health of the organisation. The Operational Leadership Team (“OLT”) comprises all service managers meet monthly to consider operational service issues and ensure compliance with corporate matters, such as performance, risk registers, compliance, before SLT consider them.

The Melton Leadership Team (“MLT”) comprises SLT and OLT meet bimonthly and focus on both the Council’s strategic direction, leadership and organisational development.

All Directors meet with their Service Managers in their respective Directorates to consider specific service matters regularly.

### Role of Statutory Officers

#### Head of Paid Service

- Overall Corporate management and operational responsibility for the Council (including overall management responsibility for all employees)
- The Head of Paid Service will determine how the Council’s functions are discharged, the number and grade of officers required to discharge those functions and how officers are organised into an overall officer structure
- The provision of professional advice to all parties in the decision-making process and responsibility for a system of record keeping for all the council’s decisions.
- Proper Officer for Access to Information

#### Chief Finance Officer (s.151)

- Accountable for developing and maintaining the Council’s governance, risks and control framework
- Ensuring lawfulness and financial prudence of decision making and the administration of financial affairs
- Providing advice to all Councillors on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget & policy framework issues
- Support and advise Councillors in their respective roles
- Contributes to the effective corporate management and governance of the Council

### Monitoring Officer

- Monitoring, reviewing and maintaining the Constitution
- Ensuring lawfulness and fairness of decision making
- Supporting the Audit and Standards Committee by conducting investigations and/or undertaking other action in respect of matters referred by the Committee
- Advising whether decisions are in accordance with the Constitution
- Providing advice to all Councillors on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget & policy framework issues. Support and advise Councillors in their respective roles. Contributes to the effective corporate management and governance of the Council

The three statutory officers; the Head of Paid Service (the Chief Executive), the Monitoring Officer (Assistant Director for Governance and Democracy) and Section 151 Officer (Director for Corporate Services) fulfil the statutory duties associated with their roles as detailed above.

The Council's financial management arrangements conform to the governance requirements as set out in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Council formally reviews its Financial Procedure Rules on a regular basis and a full review was completed as a part of the Constitutional review in 2019. On-going updates are implemented as part of the regular reviews of the Constitution.

### Role of Internal Audit

#### Head of Internal Audit

- Provides independent assurance and opinion on the adequacy and effectiveness of the Council's risk management and control framework
- Through the internal audit service delivers an annual programme of risk-based audit activity, including counter fraud and investigation activity and makes recommendations for the improvement in the management of risk and control

The Internal Audit service is responsible for monitoring the quality and effectiveness of systems of internal control. The Council has delegated its Internal Audit function to North Northamptonshire Council. Internal Audit undertakes its work in accordance with the CIPFA Code of Practice for Internal Audit in the United Kingdom and the Public Sector Internal Audit Standards.

Internal Audit has direct access to the Chair of Audit and Standards Committee which is responsible for the audit function within the Council.

A risk model is used to formulate an annual audit work plan, progress against which is reviewed each quarter by Senior Leadership Team and the Audit and Standards Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Director as well as the Section 151 Officer and Monitoring Officer.

The reports include an independent opinion on the adequacy of the applicable internal controls, audit findings and recommendations for improvements with an agreed timescale for implementation.

Progress against recommendations is followed up by Internal Audit and reported to Audit and Standards Committee at each meeting throughout the year.

The Internal Audit Annual Report 2021/22 was considered by the Audit and Standards Committee in 2022. Internal audit's opinion overall, based on all Internal Audit work during the year is that Satisfactory Assurance can be given over the adequacy and effectiveness of the Council's control environment for 2021/22. Further details are provided below.

### **Role of External Audit**

The current external auditors are Ernst and Young LLP. External Auditors audit the financial statements and provide an audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2022 and of the income and expenditure for the year then ended. External Auditors also consider whether the Council has put in place proper arrangements to secure economy, efficiency, effectiveness on its use of resources. No significant issues have been raised relating to issues arising from audit work undertaken to date.

### **Role of Risk Management**

A robust risk management framework is an integral part of operational service delivery and the decision-making process. An up to date and regularly reviewed Risk Management Policy and Strategy is maintained. This requires that both Directorate and Strategic Risk Registers are maintained with appropriate action plans to mitigate and manage identified risks. The strategic risk registers are reviewed and updated by the Senior Leadership Team as appropriate. Directorate risk registers are reviewed within team meetings.

To ensure that risk is considered when decisions are made, all reports presented to Members must include a risk assessment of the actions or implications within the report. This assessment also covers legal and financial and value for money considerations. Decisions that are due to be made by elected members identify risks and categorise them as high and low probability and high and low impact on the Authority and plans are put in place in order to reduce the probability of those risks occurring and to reduce the service impact if they do occur. Risk assessments are also put in place as part of the Council's Project Management process.

Risk management is part of the regular training delivered to officers and members. Risk Management responsibility falls within the remit of the Council's Audit and Standards Committee indicating its importance within the context of good governance. The Strategic Risk Register is also reported to Cabinet to ensure those agreeing and implementing policy decisions, do so in knowledge of the context of the risks being faced by the Council. An internal audit review of the Council's Performance and risk Management Framework was undertaken in 2021/22 and provided good assurance over both the control environment and compliance

## **How we comply with the CIPFA/Solace Framework**

The following sections list the key elements of the systems and processes that comprise the Council's governance framework with a commentary setting out how the arrangements comply with each of the principles that are laid out in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government.

### **Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

Arrangements have been put in place to ensure probity when dealing with different stakeholders and these are frequently updated. The Council has a Members' Code of Conduct, Planning Code of Conduct and Citizens' Rights which are all set out in the Constitution. These are regularly reviewed to take account of the latest legislation and guidance.

The Constitution contains a section on the "Principles of Decision Making", and all decisions should be made in accordance with these principles.

During 2021/22 the Audit and Standards Committee had a pro-active work programme and where relevant the Committee received updates from the Monitoring Officer on current issues.

The Council has arrangements for monitoring compliance with the Member Code of Conduct (including gifts and hospitality).

The Officer Register of Gifts and Hospitality received regular checks by the Monitoring Officer whilst checking of the Member Register is also undertaken.

The Statutory Officers bring governance issues to SLT as part of an approved work plan and also if there are any other issues as appropriate. The Council's Whistle Blowing Policy includes members, contractors, suppliers and service providers and people working in partnership with the council (e.g. volunteers). All reports received under the policy are investigated thoroughly and no reports were received citing the Policy in year.

Regular training is undertaken on ethical standards to ensure compliance with legislation. A locally modified version of the LGA Model Code of Conduct was adopted by the Council on 16 December 2021 and became effective 1 April 2022. Mandatory Code of Conduct Member training sessions were provided in April and May 2022.

### **Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function**

The Monitoring Officer was appointed on 25 November 2020 and reports to the Director for Corporate Services. Regular meetings with the Chief Executive also take place to ensure effective communication between the statutory officers.

The Democratic Services Manager is the appointed “Deputy Monitoring Officer” and reports to the Assistant Director for Governance and Democracy.

### **Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function**

The “Head of Paid Service” role is undertaken by the Council’s Chief Executive.

### **Undertaking the core functions of an Audit Committee, as identified in CIPFA’s Audit Committees – Practical Guidance for Local Authorities**

The Council has an established Audit and Standards Committee whose remit and functions are based on the guidance set out in a CIPFA publication which identifies best practice in relation to roles and responsibilities. The Committee meets five times a year and receives regular reports from both the Section 151 Officer and the Head of Internal Audit. Arrangements are in place for the Head of Internal Audit to report independently to the Audit and Standards Committee should she feel it appropriate to do so.

### **The Council ensures compliance with established policies, procedures, laws and regulations through various channels.**

Two of the Council’s statutory officers, the Section 151 Officer and the Monitoring Officer, have responsibility for ensuring that the Council does not act in an ultra vires manner, supported by the Head of Internal Audit who provides assurance on matters of internal control.

There is an in-house legal team. The Legal team work closely with all teams across the Authority providing risk-based advice.

Directors have accountability within their Directorates to ensure that policies are adhered to and understand that they must notify the statutory officers if they are concerned about compliance within their areas.

### **Whistle-blowing and for receiving and investigating complaints from the public**

The Council has in place appropriate whistle blowing policies and procedures which are reviewed annually and updated where required. The policy was reviewed and refreshed in March 2022 and staff are aware of the Whistle-blowing policy through the Council’s intranet. The Council refreshed and updated its complaints policy and will seek approval in 2022. It has previously decentralised day-to-day responsibility to

Service Managers for responding to stage 1 complaints and Directors for stage 2 complaints. Oversight of Corporate complaints remain the responsibility of Service Managers/Directors.

## **Principle B. Ensuring openness and comprehensive stakeholder engagement**

The Council values openness and comprehensive stakeholder engagement. The Authority has a Consultation Toolkit which is used to guide effective and appropriate consultation.

The Authority has established partnership working and consultation with a number of different partners and organisations. The Council is undertaking a review in 2022/23 of partnerships in order to ensure there is clarity over those which are key and to set out expected outcomes from partnership working.

There are excellent relations with recognised trade unions on staffing matters.

The Council shares its accommodation with other partner organisations, including for example, Job Centre Plus, and the Registrars This encourages closer working and a more joined up service for customers. The Council engages with a wide set of private sector, business and community stakeholders through an established Melton Place Board; focussing on encouraging growth and prosperity in Melton.

Our range of communications policies sets out who we communicate with, and why and how we do it. The Council uses various means to communicate key messages to members of the public, including press releases, website content, social media and where relevant direct communication.

Internally, we communicate with staff via team meetings, the intranet, email and Chief Executive's Briefings for staff. The Authority has "Service Champion" meetings which involves frontline staff representatives from all services in the Council meeting on a bi-monthly basis with the Chief Executive. It also has a formal, regular mechanism of meetings with representatives and officials from the recognised Trade Unions.

Members are communicated to through briefings, development days and a Portfolio Holders Bulletin.

The Council's scrutiny arrangements ensure that key elements are externally scrutinised and involve all sections of the community and stakeholders as necessary.

## **Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits**

### **Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the authority's overall governance arrangements**

The Authority participates in a range of joint working arrangements with other bodies. For those that deliver services to our customers there are service level agreements or contractual arrangements in place to ensure delivery and to protect reputational risk, but the Council also works with partners on a range of issues without formal arrangements, aiming to influence their activity to maximise the benefits to our area. Should there be corporate risks based on partnership arrangements these will be detailed within the strategic and directorate risk registers.

The Council is particularly mindful of the financial and reputational risks that can arise through entering into joint working and collaborative arrangements, including the potential for a detrimental reputation impact on the Council should the partnership fail.

## **Principle D – Determining the interventions necessary to optimise the achievement of the intended outcome**

The Corporate Strategy and our Medium-Term Financial Strategy detail how we have planned all our resources, both financial and staffing to deliver against our priorities. Our corporate management and performance framework has been developed to strengthen the performance of the Authority and the achievement of key objectives and outcomes. Performance is regularly and publicly reported through Cabinet.

## **Principle E – Developing the entity's capacity including the capability of its leadership and the individuals within it**

The Authority adopted a Way We Work Strategy to replace the previous workforce strategy in December 2021. The strategy sets out how we will learn and develop, and how we work to ensure we have the right people, with the right skills and behaviours, in the right place to deliver the Council's vision and priorities over the next three years. Our Way We Work is underpinned by a Behaviour Framework and hybrid working model. A new performance management process based on more regular quality conversations, focussed on what and how achievements have been delivered and ensuring greater opportunity for reflection and learning will be introduced in 2022/23.

The Council fully supports the requirements to ensure that both members and senior officers have the necessary skill sets to fulfil their strategic role in the organisation; The Council has managed to maintain a healthy training budget to assist with staff and member development.

A comprehensive induction programme exists for both members and officers which was developed to deal with all relevant core issues. The Authority is committed to creating an environment where elected members' skills can develop and thrive with regular courses being delivered and basic training needs are identified.

The corporate priorities, the streamlining of governance arrangements, a continuing focus on digital and demand reduction are all helping to ensure that capacity is maintained and enhanced. A cultural shift to greater use of influential power should also help to lever in partner resources when looking at how to achieve required outcomes.

### **Enhancing the accountability for service delivery and effectiveness of other public service providers**

The Council is a partner in the Leicestershire, Leicester and Rutland Resilience Partnership (LRP). All Councils at Unitary, District and Borough levels are members of the Partnership to bring together emergency management resources to prepare for and respond to civil emergencies within the Leicester, Leicestershire and Rutland area. The Regeneration Manager is the Authority's representative on the LRP Management Board.

### **Principle F – Managing risks and performance through robust internal control and strong public management**

The writing of formal reports follows a prescribed procedure which requires the completion of a number of procedural requirements for content including Statutory Officer checks for legality, budgetary compliance, rationale and risk. Reasons for all decisions must be given and these are recorded in the minutes. The Member and Officer Codes of Conduct and associated procedures act as a safeguard against conflicts of interest or bias. The Council maintains a Forward Plan of Key decisions to maximise transparency and consultation.

The Audit and Standards Committee have undertaken the functions of an audit committee as identified by CIPFA guidance. It receives regular reports and presentations from the External Auditor and is independent of cabinet.

The Authority has a customer feedback complaints system and this information is sent to the relevant Director and is used to improve service delivery and customer satisfaction. It is also considered by the Senior Leadership Team quarterly.

The strategic risk register is reviewed by Cabinet and management bi-annually. The risks identified have been allocated lead officers that manage each risk. Risk Management also forms a key element of the Directorate Actions Plans and risk management is an integral part of the Authority's performance management arrangements.

The Authority is committed to the effective use of IT and has a digital strategy and IT acceptable usage and Security Policy which are kept under regular review.

The Council's 2021/22 Treasury Management Strategy was approved by Council in February 2021, and risks are fully evaluated as part of this strategy.

### **Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability**

#### **Ensuring the Authority's Financial Management Arrangements conform with the Governance Requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016)**

The Director for Corporate Services undertakes the role of Chief Finance Officer and the Authority's financial management arrangements continued to conform with good governance.

#### **Ensuring the authority's assurance arrangements addresses the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010)**

The Authority's internal reporting arrangements are designed to ensure the independence of the internal audit function. Appropriate resources are made available to provide an independent, objective assurance and consulting activity designed to add value and improve the Authority's operations. It brings a systemic disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The Head of Internal Audit reports directly to the Audit and Standards Committee on all matters appertaining to audit outcomes. The Head of Internal Audit and the Section 151 Officer meet on a bimonthly basis to discuss and review governance and risk matters.

## **Impact of coronavirus on Governance**

### **Impact on business as usual in the delivery of services**

In March 2020 the Council declared a Major Incident and a governance structure consisting of strategic meetings and operational meetings were held regularly throughout the year. All meetings were chaired by the Chief Executive and were supported by senior and service managers. All statutory officers were in attendance.

In addition, the Council attended meetings facilitated by the Leicester, Leicestershire and Rutland Resilience Forum (LRF) which brought together Local Authorities and other Agencies in the response effort.

The pandemic continued through into 2021/22 and the Council continued to prioritise its emergency response whilst it worked on recovery and plans for service continuity. This disruption to normal corporate business and the service, resource, staffing and financial consequences was continually assessed as part of the corporate planning and influenced the commitments made in this Statement which will be kept under review.

An internal audit review of Covid – 19 recovery was undertaken during 2021/22 with a substantial assurance rating provided for both the control environment and compliance.

The Council also had a successful spot check by the HSE in relation to its workplace compliance.

### **The funding and logistical consequences of delivering the local government response and services post pandemic.**

The Council continued with work from home arrangements and as part of the Way We Work Strategy developed a hybrid working model to ensure the lessons learnt from covid were incorporated into working practices post pandemic. Work continues into 2022/23 on the use of the council's property assets taking into account new hybrid working arrangements. Digital services continue to be developed also. With regard to financial resources the council continued to separately account for Covid-19 expenditure to understand the ongoing impact on the council's finances.

## Review of effectiveness during 2021/22

The governance framework comprises the systems and processes, culture and values by which the Council is enabled, directed and controlled and through which it accounts to, engages with and leads the community. Part of that framework involves the management of risk. No risk management process can eliminate all risks and can therefore only provide reasonable and not absolute assurance of effectiveness. The Council's approach to risk management is robust as evidenced by the internal audit undertaken during 2021/22 and the strategic risk register is monitored by SLT and Audit and Standards on a six monthly basis. The framework was further strengthened during 2021/22 by the approval by Council of a Performance and risk Management Framework. Although performance and risk management has been embedded within the Council for some time, there has not always been sufficient visibility of how they link together and inform the development of policies and the Council's budget. The new framework provides visibility and assurance that there is a robust approach to managing performance and risk and that monitoring of the outputs is used to develop new and existing policies and practices and to identify gaps in service provision that need to be addressed.

The Chartered Institute of Public Finance and Accountancy (CIPFA) published the Financial Management Code (FM Code) in October 2019. The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. Local authorities were required to apply the requirements of the FM Code fully from 2021/22 following a shadow year in 2020/21. Following a self assessment by the Director for Corporate Services Internal Audit undertook a review in 2020/21. No area of compliance with the code was below Satisfactory with many being Good or Substantial assurance. Where it was considered there was merit in increasing the assurance rating an action plan was drawn up and is being monitored regularly by the Senior Leadership Team. No areas of improvement identified are significant enough to warrant being included in the AGS action plan.

### Internal Audit Conclusion

Based upon the work undertaken by Internal Audit during the year, the Chief Internal Auditor's overall opinion on the Council's system of internal control is that:

I am satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control for 2021/22. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

It is my opinion that **Satisfactory Assurance** can be given over the adequacy and effectiveness of the Council's control environment for 2021/22. This control environment comprises of the system of internal control, governance arrangements and risk management.

### Financial control

Controls relating to the key financial systems which were reviewed during the year were concluded to be generally operating effectively, with opinions for control environment and compliance being of at least Satisfactory Assurance. A high priority recommendation relating to debt recovery will be subject to ongoing audit follow up to ensure controls are strengthened in this area.

### **Risk management**

Structures and processes for identifying, assessing and managing risk have been further developed and embedded during 2021/22. An audit of the revised Risk and Performance Management framework was delivered in 2021/22 and resulted in an opinion of Good Assurance for design and compliance.

### **Internal control**

For the audits completed in 2021/22, 93% of the opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance. The areas of Limited Assurance relate to Planning Enforcement and an action plan is in place to address the areas for improvement.

Of the recommended actions agreed during 2021/22, and due for implementation, 84% had been completed during the year. In addition to these, there remained 14 audit actions outstanding from previous financial years.

The Council's IT network has been subject to review as part of the Public Sector Network compliance process and has valid certification, providing assurance over security measures.

There have been no incidences where Internal Audit have highlighted a fundamental risk or weakness during 2021/22 and management have sought to accept the risk, rather than take appropriate action.

Internal Audit has not been made aware of any further governance, risk or internal control issues which would reduce the above opinion. No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

The Council follows up on all actions arising from audit reports on a regular basis and provide reports to the Audit and Standards Committee. Where an opinion of limited assurance and major impact is given, a full follow up audit is included in the current year audit plan and findings are included in the next annual report. Where the impact is assessed as minor or moderate, the action plan is subject to follow up by Internal Audit but a full follow up audit may not be considered necessary – subject to risk assessment in annual audit planning and review of the plan coverage.

During 2021/22, the only audit to receive Limited Assurance opinions was Planning Enforcement. Of the twelve actions arising from this audit, two are due for implementation by September 2022 and ten by March 2023.

All outstanding actions are monitored on a regular basis and reported regularly to SLT and Audit and Standards Committee. The outstanding actions from previous financial years have been highlighted to SLT and monitoring is ongoing to ensure completion of these is prioritised.

## **Senior Leadership Team - Annual Assurance Statements**

At the end of the year annual assurance statements are issued to each member of the Senior Leadership Team to provide assurances on the identification and assessment of risks and that sound operational arrangements exist within their service. Following their return these are considered by the Senior Leadership Team to identify which areas of improvement are appropriate to be included within the Annual Governance Statement.

The conclusion from the review is that the Council has continued to demonstrate that the governance arrangements and framework within which it operates are sound and effective and are consistent with the Local Code of Corporate Governance which is consistent with the principles set out in the CIPFA/SOLACE Framework.

The areas of improvement identified in the last Annual Governance Statement have been addressed in the Table below. Following on, a further table shows the improvement areas identified for 2022/23 which will be administered by Senior Leadership Team on a quarterly basis:

**Areas for improvement highlighted in 2020/21 Governance Statement**

DIRECTORATE	IMPROVEMENT	OWNER	UPDATE
<p>Corporate Services</p>	<p>Ongoing consideration of the council’s future financial sustainability including how the Council will balance its budget from 2022/23. The council is vulnerable due to its low reserves and vulnerability highlighted in the CIPFA financial resilience indicator set. There is uncertainty regarding future funding due to the deferred spending review, ending of New homes bonus, review of the business rates baseline and uncertainty regarding any replacement and further subsequent funding decisions by central Government and the impact this will have on the Council’s finances into the future.</p> <p>The council may wish to borrow to fund property investments and regen schemes also there could be a need to fund any one off costs of any service reductions.</p> <p>There also remain uncertainty regarding the impact of COVID on income recovery and lost business rates.</p> <p>Improve proactive checking of compliance with data protection including regular checks on cleansing of data particularly electronic data in line with retention schedule and updating of Record of Processing Activity</p>	<p>Director of Corporate Services</p>	<p>This remains a concern for 2022/23. A new programme “Be the Change” has been launched in 2022/23 with the aim being to generate savings ideas that can be used to populate a 3 year financial sustainability programme.</p>

DIRECTORATE	IMPROVEMENT	OWNER	UPDATE
Corporate Services	Review and strengthen financial awareness to further enable budget holders to effectively manage budgets.	Director of Corporate Services	Steady progress has been made in this area with a new finance system implemented which continues to be developed. Phase 1 focused on transactional services and Phase 2 to be implemented in 2022/23 to be focussed on budget management. Increased support has been provided to management and budget holders and this will continue forward. Not considered a serious enough risk to include in the action plan for 2022/23.
Senior Leadership Team	Complete a lessons learnt review in relation to the Council's response to Covid-19	Chief Executive	This has been undertaken by Internal audit and the outcome reported to the Audit and Standards Committee. This was awarded a substantial assurance rating. Completed.
Housing & Communities	Health and Safety- Following recruitment to the Health and Safety post improve corporate oversight across the organisation through a review of the policy and ensure the refreshed health and safety group which includes member representative is working effectively.	Director for Housing & Communities	Completed.
Housing & Communities	Complete Stock Condition Survey and use to inform a fully revised HRA business plan. This to be then used to inform revenue and capital budgets.	Director for Housing & Communities	Stock condition surveys complete. The HRA business plan will be finalised in 2022/23 alongside an Asset Management Plan which will be used to inform the budget for 2023/24. This will remain for 2022/23

Annual Governance Statement 2021/2022

DIRECTORATE	IMPROVEMENT	OWNER	UPDATE
<p>Growth &amp; Regeneration</p>	<p>Complete the programme of General fund stock condition surveys.                      As these surveys are completed they will be used to inform the Council's capital strategy, Asset Management Plans, Capital Programme and Revenue budgets.                      The Asset Register and Land Registry will need to be updated accordingly.                      Timescales for the completion of this work will need to be developed and communicated</p>	<p>Director for Growth &amp; Regeneration</p>	<p>The stock conditions surveys were completed and used to inform the 2022/23 capital programme. The Asset Management Plan remains outstanding for 2022/23.</p>

**Areas for Improvement 2022/23**

DIRECTORATE	AREA OF RISK/IMPROVEMENT	OWNER
Corporate Services	Risk of future financial sustainability due to vulnerability from lower reserves than other similar councils, the possibility of borrowing to fund capital investment, uncertainty of the timing and outcome of the Governments intended funding review potentially impacting on retained business rates and NHB and increases to debts. Should there be the need to make savings to fund any shortfall in finances then there could be a need to fund any one off costs of any service reductions. A similar financial vulnerability also exists in the HRA in the context of the need to maximise income including debt recovery and the risk of changes to the government rent charging policies.	Director of Corporate Services
Housing & Communities	Improve to the monitoring arrangements to detect Council tax fraud and follow up on NFI matches.	Director for Housing & Communities
	Develop and approve an Asset Management Plan to support the HRA business plan thereby informing the capital strategy and 5 year capital programme for the HRA	
	Following debt profiling work devise and implement an action plan for the management of long standing debt, primarily relating to housing rents and sundry debts.	
Growth & Regeneration	Implement Recommendations arising from the internal audit review of planning enforcement	Director for Growth & Regeneration
	Develop and approve and Asset management plan following the stock condition surveys on General Fund assets	

## **Overall opinion and conclusion**

The Council is satisfied that appropriate governance arrangements are in place however it remains committed to maintaining and where possible improving these arrangements, in particular by addressing the issues identified in undertaking the annual review. The Authority will continue to seek to enhance and strengthen governance arrangements within these areas for improvement and monitor progress made as part of our next annual review. The council continues to demonstrate an ability to mobilise effectively to emerging threats and risks it faces as demonstrated by its response to both Covid and the Ukrainian refugees response.

### **Conclusion in relation to COVID-19**

The Council is satisfied that appropriate governance arrangements are in place. The Authority continues to use a risk based approach to decision making and monitors progress to ensure good governance. The Council had a successful spot check by the HSE in relation to its workplace compliance and an internal audit review which gave a substantial rating to the Council's response.

### **Statement of Leader and Chief Executive**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework carried out by members of the Senior Leadership Team and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Chief Executive

Leader

## Audit and Standards

5 July 2022

Report of: Chief Internal Auditor

### Internal Audit Progress Report

<b>Corporate Priority:</b>	All
<b>Relevant Ward Member(s):</b>	All
<b>Date of consultation with Ward Member(s):</b>	Not applicable
<b>Exempt Information:</b>	No

#### 1 Summary

- 1.1 The report updates Members on progress made in delivering the 2022/23 Internal Audit Plan and key findings arising from audit assignments completed.

#### 2 RECOMMENDATION

That Committee:

- 2.1 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 Audit Plan for 2022/23 at the meeting in March 2022.

#### 4 Main Considerations

- 4.1 The progress achieved to date in delivering the 2022/23 Audit Plan is set out in Appendix A. At the time of reporting, 31% of planned assignments are in progress.

4.2 At the date of reporting, there are 24 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: Deputy Monitoring Officer 23.06.22**

## **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 – June 2022

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Melton Borough Council  
Internal Audit Progress Report  
June 2022



## ***Introduction***

- 1.1 The delegated internal audit service for Melton Borough Council has been commissioned to provide 235 audit days to deliver the 2022/23 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 2022/23 be delivered?**

Internal Audit is set the objective of delivering at least 90% of the Internal Audit plan to draft report stage by the end of March 2023.

At the time of reporting, 31% of the Audit Plan is 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?**

All reports finalised since the last meeting of the Audit and Standards Committee are summarised in the Annual Internal Audit Report for 2021/22. No audits from the 2022/23 Audit Plan have been finalised as at the time of reporting.

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

Since the last Audit and Standards Committee meeting, four audit recommendations have been completed.

At the date of reporting, there are 24 agreed management actions which are overdue for implementation. An analysis of the implementation of actions is provided in Appendix 2. There are three actions which were assessed as 'High' priority and have been overdue for more than three months – full details are provided in Appendix 3.

## 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	-	●									
Cyber security	20	-	●									
Key corporate controls & policies												
Key financial controls	15	-	●									
Fixed assets	10	2			●							
Special expenses	12	2			●							
Information governance	15	-	●									
Business continuity management	12	-	●									
Growth and Regeneration – risk based audit coverage												
Climate change strategy	12	-	●									
Licensing	12	10			●							

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Health & Leisure Project	12	-	●									
Housing and Communities – risk based audit coverage												
Management of the Housing Revenue Account	12	-	●									
Right to Buy	10	2		●								Management request to postpone from Q1 to Q2
Landlord health and safety	10	-	●									

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Assignment	Budget	Actual	Comments
Other Client Support			
Covid related grants / counter fraud support	-	-	
Mobile phone data analysis	-	-	
Contingency	10	-	
Advice & Assistance	3	-	
Committee Work, Support & Annual Report	15	3.5	
Recommendation Follow-Up	3	0.5	
Client Meetings, AGS/NFI & External Audit, Audit Planning	15	2	

Assignment	Budget	Actual	Comments
Other Client Support			
Internal Audit Management & Development	21	4	

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.

<b>Compliance Assurances</b>		
<b>Level</b>	<b>Control environment assurance</b>	<b>Compliance assurance</b>
<b>Substantial</b> ●	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.
<b>Good</b> ●	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.
<b>Satisfactory</b> ●	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.
<b>Limited</b> ●	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.
<b>No</b> ●	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
Level		
<b>Major</b>		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.
<b>Moderate</b>		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.
<b>Minor</b>		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
<b>High</b>		Action is imperative to ensure that the objectives for the area under review are met.
<b>Medium</b>		Requires actions to avoid exposure to significant risks in achieving objectives for the area.
<b>Low</b>		Action recommended to enhance control or improve operational efficiency.

## Appendix 2: 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 <b>implemented</b> since last Committee meeting	-	-	2	14%	2	18%	4	<b>14%</b>
Actions due within last 3 months, but <b><u>not implemented</u></b>	-	-	3	22%	1	9%	4	<b>14%</b>
Actions due <b><u>between 3 and 6 months</u></b> ago, but <b><u>not implemented</u></b>	2	67%	2	14%	2	18%	6	<b>22%</b>
Actions due <b><u>over 6 months</u></b> ago, but <b><u>not implemented</u></b>	1	33%	7	50%	6	55%	14	<b>50%</b>
Totals	3	100%	14	100%	11	100%	28	100%

### Appendix 3: '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 Intensive Housing Management Service (IHMS), 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>	<p>The review has been concluded, with the staff group, and draft proposals are currently with the Director.</p> <p>This will need to include digital migration.</p>	Director of Housing & Communities	30/11/2019	31/08/2022
Housing repairs 2020/21	Housing & Communities	Develop a formal timetable for implementation of the BARRIS interface to enable Council staff to schedule and manage customer appointments directly and to support effective monitoring and management of works in progress, variations and completions.	Phase 4 of Northgate completed early April 2022. Axis had issues with their BARIS license, this is now resolved. The aim is to get BARIS in place by the end of June.	Director of Housing & Communities	31/12/2021	30/06/2022

Audit Title and Year	Service Area	Issue / Outstanding Action	Latest update and reason for revised implementation timescale	Officer Responsible	Original Date	Revised Date
Housing repairs 2020/21	Housing & Communities	Arrangements for the management and approval of variations should be reviewed and strengthened. All exclusions, over-threshold works and other variations should be approved prior to completion of the works and variation requests should be fully itemised and priced based on the discounted schedule of rates. Once the process has been in place a sufficient length of time and the Council is satisfied that it is working effectively it may wish to consider formalising an agreed 'tolerance' level below which variations will be accepted without the need for prior approval - to maximise operational efficiency.	Phase 4 of Northgate completed early April 2022. Axis had issues with their BARIS license, this is now resolved. The aim is to get BARIS in place by the end of June.	Director of Housing & Communities	31/12/2021	30/06/2022

## **Appendix 4: 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.