

Agenda

Meeting name	Meeting of the Audit and Standards Committee
Date	Tuesday, 28 March 2023
Start time	6.30 pm
Venue	Parkside, Station Approach, Burton Street, Melton Mowbray, Leicestershire LE13 1GH
Other information	This meeting is open to the public

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

Edd de Coverly
Chief Executive

Membership

Councillors	D. Pritchett (Chair)	C. Fisher (Vice-Chair)
	S. Atherton	P. Chandler
	J. Douglas	E. Holmes
	S. Lumley	T. Webster
	J. Wilkinson	

Quorum: 5 Councillors

Meeting enquiries	Democratic Services
Email	democracy@melton.gov.uk
Agenda despatched	Monday, 20 March 2023

No.	Item	Page No.
1.	APOLOGIES FOR ABSENCE	
2.	MINUTES To confirm the minutes of the meeting held on 17 January 2023.	1 - 4
3.	DECLARATIONS OF INTEREST Members to declare any interest as appropriate, in respect of items to be considered at this meeting.	5 - 6
4.	INTERNAL AUDIT PROGRESS REPORT The Head of Internal Audit 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.	7 - 22
5.	ANNUAL STANDARDS UPDATE The Monitoring Officer to update Members on Member Standards.	23 - 30
6.	RISK MANAGEMENT 6 MONTHLY UPDATE The Director for Corporate Services to provide Members with an update on the risk management arrangements and to outline the current significant risks.	31 - 46
7.	INTERNAL AUDIT PLAN 2023/24 The Chief Internal Auditor to provide Members with a copy of the draft Internal Audit plan for 2023/24 and the Internal Audit Charter for review and formal approval.	47 - 80
8.	AUDIT CONSIDERATIONS FOR UKSPF, LUF AND ADP PROJECTS The Director for Growth and Regeneration to provide Members with a report outlining how audit assurance will be managed for these projects.	81 - 88
9.	URGENT BUSINESS To consider any other items that the Chair considers urgent.	

Minutes

Meeting name	Audit and Standards Committee
Date	Tuesday, 17 January 2023
Start time	6.30 pm
Venue	Parkside, Station Approach, Burton Street, Melton Mowbray, Leicestershire LE13 1GH

Present:

Chair Councillor D. Pritchett (Chair)

Councillors

C. Fisher (Vice-Chair)	S. Atherton
P. Chandler	J. Douglas
P. Posnett MBE	T. Webster
J. Wilkinson	

Observers

Officers

- Director for Corporate Services
- Assistant Director for Governance & Democracy
- Chief Internal Auditor
- Senior Democratic Services & Scrutiny Officer
- Democratic Services Officer (CT)

Minute No.	Minute
24	<p>Apologies for Absence No apologies were received.</p> <p>Councillor Wood and Councillor Holmes were not in attendance.</p>
25	<p>Minutes The Minutes of the meeting held on 30 November 2022 were approved.</p>
26	<p>Declarations of Interest Councillor Posnett declared a personal interest in any matters relating to the Leicestershire County Council due to her role as a County Councillor.</p>
27	<p>Internal Audit Progress Report The Chief Internal Auditor, Rachel Ashley-Caunt, introduced the report which set out the progress made in delivering the 2022/23 Internal Audit Plan and key findings arising from audit assignments completed.</p> <p>The Chief Internal Auditor highlighted the Internal Audit Progress Report at Appendix A, which set out all the assignments within the current years Internal Audit Plan, the status of the assignments at the time of reporting and the outcomes of the assignments that have been completed. Members were informed that good progress against the delivery of the Internal Audit Plan had been made, with some good outcomes and the positive assurance opinions should provide reassurance to Members on key areas.</p> <p>The Chair commented that any audit reports finalised after the March meeting would be reported on at the first meeting after the elections in May.</p> <p>A concern was raised that the report stated that Service Area Business Continuity Plans were not held centrally, and Members wanted to know where they were held. It was confirmed that the Service Lead held copies of the plans, but they were not held centrally. A recommendation had been made to address this.</p> <p>With regard to the outstanding audit recommendations relating to the Housing and Communities directorate the Chair would like to see the relevant officer give an update as to where they are with these at the March meeting.</p> <p>The Chair congratulated Officers, as HRA has come a long way after many staff changes over the last few years.</p> <p>With regard to the audit of the Leisure Vision project, a concern was expressed that the report stated the project meetings had not taken place in June, July, September or October 2022, it was also commented that the Project Support Officer was only contracted to work one day a week on this project. The Director for Corporate</p>

Services said that the audit report is more about the management and not the delivery of the project, the project is being looked at by Scrutiny and they will decide if this needs to come back onto the Agenda.

RESOLVED

The Committee **NOTED** the report and progress made by the Internal Audit team in the delivery of the Audit Plan was by the Committee.

28

Fraud Update Report

The Chief Internal Auditor, Rachel Ashley-Caunt, introduced the report to give the committee a six-monthly update on counter fraud activity.

The Chief Internal Auditor explained about the participation in the Cabinet Office's Social Housing Fraud pilot data matching exercise. It is a trial which the Council volunteered to participate in. Further update on the work done would be presented to the Committee at the next counter fraud update.

Following a question on whether this was a mandatory exercise, the Chief Internal Auditor advised that the Council had volunteered to participate but if the trial is successful, it could become mandatory in the future for all councils.

The Chair said this is a positive step and ensures we are doing the necessary checks against this type of activity.

RESOLVED

The Committee **NOTED** the Internal Audit counter fraud activity.

29

2020/21 Housing Benefit Subsidy Claim

The Director for Corporate Services, Dawn Garton, introduced the report which gave a summary of the 2020/21 Housing Benefit Audit.

The Director for Corporate Services said the outcome of the audit showed an improvement from previous years in terms of the number of and level of errors identified. Due to the number of transactions, it would be unrealistic to expect no errors to be found.

Members were informed of the local scheme policy, which dates back some considerable time, but had been approved by Council in the past. This scheme disregards 100% of any war widows/widowers, war disablement scheme and

armed forces compensation scheme payments, in any benefits assessment. To make sure this is implicit it has been recommended this is included in this year's budget report.

The comment was made that the report was clear and easy to understand.

RESOLVED

The Committee **NOTED** the findings of the 2020/21 Housing Benefits Audit and action being taken in response to the audit findings.

30	Urgent Business There was no urgent business.
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The meeting closed at: 7.00 pm

Chair

Advice on Members' Interests

PERSONAL AND NON-PECUNIARY INTERESTS

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

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

PERSONAL AND PECUNIARY INTERESTS

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

DISCLOSABLE PECUNIARY INTERESTS AND OTHER INTERESTS

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

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

BIAS

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

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

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

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Internal Audit Progress Report

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

1 Summary

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

RECOMMENDATION(S)

That Committee:

- 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, 100% of planned assignments are either complete or in progress and a further audit report has been finalised.

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

4.3 At the date of reporting, there are 17 agreed management actions which are overdue for implementation. Further details are provided in Appendix A.

5 Consultation

5.1 Not applicable.

6 Next Steps – Implementation and Communication

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

7 Financial Implications

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

Financial Implications reviewed by: Director for Corporate services

8 Legal and Governance Implications

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

Legal Implications reviewed by: Monitoring Officer

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 – March 2023

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Chief Officer Responsible:	Dawn Garton , Director for Corporate Services
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Melton Borough Council
Internal Audit Progress Report
March 2023



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, 100% of the Audit Plan is either completed or has fieldwork in progress. All audits for the year have been allocated to an auditor and the 90% delivery will be achieved by the end of March 2023.

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 4.

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

As at the time of reporting, the team had been delivering 95% productivity, against the target set of 90%.

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

Since the last meeting of the Audit and Standards Committee, the following audit has been finalised:

Right to buy

The Right to Buy scheme came into force in 1980 and is governed by the Housing Act 1985. The scheme helps eligible council and housing association tenants in England to buy their council home at a discounted rate. Given the value of social housing both in terms of money and the provision of a home for someone in need, it is important that local authorities take steps to protect themselves from the minority of right to buy applications which are fraudulent and that applications are processed accurately, in accordance with the legislation. A total of 34 applications have been recorded since January 2022.

In April 2019, an audit took place to review the controls used to identify fraudulent right to buy applications and to advise on internal processes and procedures requiring development, with overall limited assurance. Since then, there has been ongoing improvements to the internal processes with the implementation of suites of template documents and letters now used by officers. However, in 2022, there were four cases whereby the incorrect purchase price was issued, resulting in financial loss to the Council. The objective of the audit was to seek assurance that, since these incidents, updated processes and procedures are now consistent with current legislative requirements, with a sound framework for the implementation of controls to mitigate the risks of inaccurate discount calculations, incorrect use of valuations and fraudulent applications.

The audit confirmed that the systems and procedures introduced during the last year are robust and are currently working well. The appointment of a part-time right to buy administrator in October 2022 has evidently supported the embedding and consistent application of these revised processes and controls in recent cases tested. Based on discussion with officers and review of the relevant documentation, the Council's Right to Buy Policy was approved by Cabinet on January 2021. There is scope for a review and update of this documentation and for the approved version to be published on the Council's website.

Clear guidance for those wishing to make an application is available on the Council's website. The audit confirmed that applications are currently being processed in accordance with the Council's internal processes and within the statutory timescales set out within the regulations.

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	Good	●
Organisational impact	Minor	●

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

Since the last Audit and Standards Committee meeting, 8 audit recommendations have been completed.

At the date of reporting, there are 17 agreed management actions which are overdue for implementation. An analysis of the implementation of actions is provided in Appendix 2. There are two 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	3			●							Q4 testing
Cyber security	20	17				●						Initial delays
Key corporate controls & policies												
Key financial controls	15	7			●							Q4 testing
Fixed assets	10	10						●	Good	Good	Minor	Reported in November 2022
Special expenses	12	12						●	Good	Good	Minor	Reported in November 2022
Information governance	15	7			●							Awaiting evidence for audit
Business continuity management	12	12						●	Satisfactory	Satisfactory	Moderate	Reported in January 2023
Growth and Regeneration – risk based audit coverage												
Licensing	12	14						●	Limited	Satisfactory	Moderate	Reported in November 2022

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	12						●	Substantial	Good	Minor	Reported in January 2023
Housing and Communities – risk based audit coverage												
Housing repairs contract	-	11						●	Satisfactory	Satisfactory	Moderate	Reported in November 2022
Management of the Housing Revenue Account	12	12						●	Substantial	Substantial	Minor	Reported in January 2023
Right to Buy	10	10						●	Good	Good	Minor	See section 2.5
Landlord health and safety	10	10						●	Substantial	Good	Minor	Reported in November 2022

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Assignment	Budget	Actual	Comments
Other Client Support			
Covid related grants / counter fraud support	12	8	
Contingency	10	12	
Advice & Assistance	3	3	
Committee Work, Support & Annual Report	15	13	
Recommendation Follow-Up	3	3.5	
Client Meetings, AGS/NFI & External Audit, Audit Planning	15	11	

Assignment	Budget	Actual	Comments
Other Client Support			
Internal Audit Management & Development	21	19	

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

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

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

Category of Recommendations

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

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

Appendix 2: 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 implemented since last Committee meeting	3	60%	3	25%	2	25%	8	32%
Actions due within last 3 months, but <u>not implemented</u>	-	-	2	17%	-	-	2	8%
Actions due <u>between 3 and 6 months</u> ago, but <u>not implemented</u>	-	-	3	25%	1	13%	4	16%
Actions due <u>over 6 months</u> ago, but <u>not implemented</u>	2	40%	4	33%	5	62%	11	44%
Totals	5	100%	12	100%	8	100%	25	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	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.	March 2023: The review is progressing, and we will be writing out to all tenants who receive the IHMS service and asking if they wish to continue to receive the service. From there we will be able to scope and cost the service, and then write back to those tenants asking what level of service they wish to receive, and also including the opt out option again. The proposal at this stage is for either a weekly or fortnightly visit and a life line, however these services will be charged for separately.	Director of Housing & Communities	30/11/2019	-
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.	January 2023: Testing has continued, aiming to go live before April 2023. One remaining IT issue is preventing earlier go live – MBC and software provider in discussions to identify a fix.	Director of Housing & Communities	31/12/2021	April 2023

Appendix 4: Customer Satisfaction

At the completion of each assignment, the Auditor issues a Customer Satisfaction Questionnaire to each client with whom there was a significant engagement during the assignment. The Head of Service and the Line Manager receive a CSQ for all assignments within their areas of responsibility. The standard CSQ asks for the client's opinion of four key aspects of the assignment. The 8 responses received during the year to date are set out below.

Aspects of Audit Assignments	N/A	Outstanding	Good	Satisfactory	Poor
Design of Assignment	-	2	5	1	-
Communication during Assignments	-	2	6	-	-
Quality of Reporting	-	2	5	1	-
Quality of Recommendations	-	1	6	1	-
Total	-	7	22	3	-

Appendix 5: Limitations and Responsibilities

Limitations inherent to the internal auditor's work

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

Opinion

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

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

Internal control

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

Future periods

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

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

Responsibilities of management and internal auditors

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

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

Annual Standards Update

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

1 Summary

1.1 To update members on Member standards.

2 Recommendation(s)

That Committee:

2.1 **Note the information presented in relation to Code of Conduct Complaints for 2022-2023.**

3 Reason for Recommendations

3.1 It is important to ensure that high standards of probity and ethical framework are at the heart of corporate governance of the authority and to ensure transparency and accountability.

4 Background

4.1 Members Code of Conduct

- 4.1.1 Section 27 of the Localism Act 2011 requires that relevant authorities have a statutory duty to promote and maintain high standards of conduct by Members and co-opted Members of the authority
- 4.1.2 Authorities are required to adopt a Code dealing with the conduct that is expected of Members when they are acting in that capacity.
- 4.1.3 Section 28 of the Localism Act 2011 requires that Councils in England have in place arrangements under which allegations can be investigated and on which decisions on allegations can be made.
- 4.1.4 At its meeting on 16 December 2021, Council adopted a new locally amended Code of Conduct which became effective from 01 April 2022.

5 Main Considerations

5.1 Member Complaints Update 22-23

- 5.1.1 **Numbers of complaints** - The number of complaints received in 22-23 decreased from those received in 21-22 as per the table below which sets out the types of members complaints were made against.

Type	Number of Complaints Received		
	2020/21	2021/22	2022/23
Non-Executive	12	3	4
Executive	3	7	1
Parish	1	2	0
Total	16	12	5

- 5.1.2 **Origin of complaints** – most complaints are made by members of the public although there has been a small increase in the number of complaints received by members against members for 22/23. There has been a decrease in overall complaints received in 2022/23 when compared to 2021/22.

Type	Number of Complaints Received		
	2020/21	2021/22	2022/23
Public	15	9	-
Elected Member (Borough / Parish)	1	3	5
MP	-	-	-
Council Employee (Borough / Parish)	-	-	-
Other	-	-	-
Total	16	12	5

5.1.3 **Types of complaints** – whilst it is not possible to identify particular trends in the nature of the complaints, the following table provides an overview of the types of complaint received over the past three years:

Type	Number of Complaints Received		
	2020/21	2021/22	2022/23
Respect	3	-	2
Bullying, Harassment & Discrimination	1	3	1
Impartiality of Officers of the Council	-	-	-
Confidentiality & Access to Information	-	-	-
Disrepute	1	6	-
Use of Position	-	1	-
Use of Council Resources & Facilities	-	-	-
Making Decisions	3	-	-
Complying with the Code of Conduct	-	1	2
Interests	8	1	-
Gifts & Hospitality	-	-	-
Dispensations	-	-	-
Total	16	12	5

5.2 **Investigation of complaints** - Complaints are subject to a 2-stage consideration. The first stage requires preliminary consideration (initial assessment) of the complaint, in consultation with the Independent Person, to decide whether the complaint requires formal investigation. Formal investigation will include the appointment of an Investigating Officer to report to the Monitoring Officer, who will then report to the Standards Sub-Committee as to whether further action is recommended. The table below details the outcome of all complaints over the past three years:

Type	Number of Complaints		
	2020/21	2021/22	2022/23
Rejected at initial stage – not acting in capacity	-	2	1
Rejected at initial stage – insufficient evidence	1	5	-
Rejected – Code not engaged	1	1	2
Informal Resolution	9	-	-
Other Action	-	4	-
Formal Investigation	4	-	-
Ongoing			2

5.3 Outcomes of Complaints

Type	Number of Complaints		
	2020/21	2021/22	2022/23
Breach of Code	1	0	0
No Breach of Code	15	12	3
Outcome to be determined	0	0	2

5.4 Training

5.4.1 Councillors receive Code of Conduct training when they are elected as Members of the Council however until a Councillor submits a complaint or are the subject of a complaint they are often not familiar with the arrangements for dealing with the same. The arrangements are drafted in such a way as to ensure compliance with the requirements of the legislation.

5.4.2 Code of Conduct training was undertaken by all Borough members on 04 May 2022. A further session will be scheduled as part of the induction following the Borough/Parish Elections in 2023.

5.4.3 Parish Council members training was provided on Thursday 13 October 2022.

5.4.4 Further training will be provided to all members as part of the new member induction following the elections.

5.5 Lessons Learnt

5.5.1 The Council recognises that complaints are a valuable opportunity to gain feedback, learn and improve. The Monitoring Officer wants to ensure and provide a positive response to Member complaints and encourages feedback so the process remains fit for purpose.

5.5.2 A number of changes were approved by Audit & Standards in November 2022.

5.6 The process will continue to be reviewed by the Monitoring Officer to ensure it remains fit for purpose.

6 Options Considered

6.1 This report is to update the Committee as such there are no alternative options.

7 Consultation

7.1 The Constitutional Review Working Group (CRWG) have been consulted on the new operational processes on 08 March 2022 and their comments were incorporated.

7.2 The Chair of Audit & Standards was consulted following the CRWG.

8 Next Steps – Implementation and Communication

8.1 To consult with the Independent Person

9 Financial Implications

9.1 There are no financial implications arising from this report.

Financial Implications reviewed by: Director for Corporate Services

10 Legal and Governance Implications

10.1 The legal background is set out at the beginning of this report. There are no additional legal implications

Legal Implications reviewed by: Monitoring Officer

11 Equality and Safeguarding Implications

11.1 Reasonable adjustments will be made for those who are unable to complete a complaints form and / or follow the process as set out.

12 Community Safety Implications

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

13 Environmental and Climate Change Implications

13.1 There are no environmental and climate change implications arising from this report

14 Other Implications (where significant)

14.1 There are no other implications.

15 Risk & Mitigation

Risk No	Risk Description	Likelihood	Impact	Risk
1	No process would pose a risk to the openness, transparency, fair and efficient handling of complaints	Low	Marginal	Low Risk

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

16 Background Papers

16.1 LGA Model Code of Conduct – Audit & Standards Committee 28.07.2020

16.2 Implementation of Best Practice Recommendations from the Committee on Standards in Public Life - Audit & Standards Committee 29.09.2020

16.3 Code of Conduct Update New Model Code – Audit & Standards Committee 09.03.2021

- 16.4 Revised Members Code of Conduct - Audit & Standards Committee 30.11.2021
- 16.5 Revised Members Code of Conduct - Council 16.02.2021
- 16.6 Members Code of Conduct & Standards update – 30.11.2022

17 Appendices

None

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Audit and Standards

28 March 2023

Report of: Dawn Garton, Director for Corporate Services

Risk Management 6 monthly Update

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

1 Summary

- 1.1 This report provides an update on the risk management arrangements and outlines the current significant risks that have been captured on the recent review of the Council's strategic risk register by the Senior Leadership Team.

2 Recommendation(s)

That Committee:

- 2.1 **Notes the content of the report and the updated Strategic Risk Register and associated risk management action plan, as attached at Appendix A**

3 Reason for Recommendations

- 3.1 Risk Management forms part of the Audit and Standards terms of reference who have formal responsibility for overseeing the Risk Management arrangements for the Council. It is important that members have awareness of the strategic risks that could impact on the Council and to review the risk management arrangements in place and the activities that are being undertaken to mitigate those risks.

4 Background

- 4.1 The Strategic Risk Register captures the current significant risks and outlines mitigating actions. Members of the Audit and Standards Committee last reviewed this in November 2022. As part of the corporate performance and risk management reporting framework it has been agreed to update members on a 6 monthly basis.
- 4.2 Cabinet also have oversight of risk to ensure they have awareness of the strategic risks that could impact on the Council and to review the risk management arrangements in place and the activities that are being undertaken to mitigate those risks. They have reviewed the latest Strategic register at their meeting on the 8 March 2023.
- 4.3 The council also maintains directorate risk registers to help manage those risks that are more service specific to support and manage service delivery. These are reviewed by directors and managers regularly as well as the Senior Leadership team to help inform any discussions around risks that may need to be escalated to the strategic risk register. Risks will be monitored at both a directorate and corporate level and then may move on the scoring matrix or between the different risk registers depending on level of risk or concern at the time. However, it is recognised risks are dynamic and can change depending on the latest information and actions taken and therefore are kept under review and mitigation modified accordingly.
- 4.4 Project risks are also managed through the council's project management framework with risk registers maintained for high profile projects which are regularly reviewed through project teams and programme boards.

5 Main Considerations

- 5.1 The Strategic Risk Register has been recently reviewed and updated by Senior Management to capture the current significant risks and outline mitigating actions. The risks are allocated by corporate category focus area.
- 5.2 A copy of the Strategic Risk Register is attached as Appendix A. This consists of a Risk Matrix which plots the risks being managed at this level along with the actual register itself which includes the current and target risk score, along with further details for each risk such as potential consequences, the controls in place and any action required. Members will note there are currently 11 risks being monitored at this level – 4 high (red) risks, 7 medium (amber) risks and 0 low (green) risk. In summary these are:

Category Focus	High	Medium	Low	Total
Place	1	1	0	2
Priorities	1	1	0	2
Service and Governance	2	5	0	7
Total	4	7	0	11

An explanation of the three risk categories referred to in the table above, and the specific risks considered within them is set out below:

PLACE – those areas which directly impact our communities:

- Inability to influence, secure and then maximise the benefit to Melton residents from Devolution, County Deal and UK Shared Prosperity Fund
- Cost of Living - Impact on households and businesses across Melton

PRIORITIES – those commitments made in our Corporate Strategy

- Failure to deliver MMDR (in full or in part) and the financial and legal impacts on Melton Borough Council arising from the agreement with the County Council which seeks to support delivery
- Uncertainties regarding future leisure provision in Melton

SERVICE AND GOVERNANCE – those areas which are associated with our service areas

- Failure to Secure financial stability in the medium term
- Following new arrangements the stability of future provision of ICT services
- Financial pressures undermining partnerships (integrated working)
- Failure of a key supplier e.g. Housing Repairs, Waste and Leisure
- General Data Protection Regulation (GDPR) compliance
- ICT Security Breaches
- Resourcing of the projects relating to Levelling Up Funding, the UKSPF Investment Plan, Asset Development Plan and Leisure developments (NEW RISK)

5.3 Summarised in the table below are the main risks that we would like to draw members attention to, based on the current risk score, changes to previous scoring or new risks that have been identified or moved onto the corporate risk register:

RISK	RISK CATEGORY	RATING	SCORE	MITIGATING ACTION/CHANGE
Cost of Living impact on households and businesses across the borough	People and Place	High	15 Previous Score (15) ↔	<ul style="list-style-type: none"> • Implement alternative energy rebate scheme • Maintain cost of living project group and monitor progress against actions. • Continue to review customer feedback and gov metric data to understand impacts and pressure points. • Work through cross-district groups to share best practice and support initiatives.
Uncertainties regarding future leisure provision in Melton	Priorities	High	15 Previous Score (15) ↔	<ul style="list-style-type: none"> • Procurement of leisure contract (to commence 1st April 2024). Key decision making milestones in March 2023 and November 2023 • Health and Leisure Vision project progress will be key to longer term resolution and risk reduction. Ongoing dialogue between appropriate teams regarding Waterfield Leisure

				<p>Centre including contract management, health and safety, property and assets teams to address any building / asset issues on a case by case basis.</p> <ul style="list-style-type: none"> • Work will continue on enabling active lives in other ways as The Council has a wider focus on this as well.
Failure to Secure financial stability in the medium term	Service and Governance	High	<p>24</p> <p>Previous Score (24)</p> <p>↔</p>	<ul style="list-style-type: none"> • Development of a financial sustainability plan that is realistic and achievable and sufficient to meet budget gap. • Prioritise spending plans that will generate savings in return. • Consider options for reducing failure demand e.g. prevention and demand reduction through service transformation. • Continue to lobby government and other groups to ensure fair funding of covid and ongoing funding..
Stability of future provision of ICT services following new arrangements	Service and Governance	High	<p>15</p> <p>Previous Score (15)</p> <p>↔</p>	<ul style="list-style-type: none"> • Regular monitoring and review of planned activities and consideration of further investment in ICT. • Review of findings of diagnostic review and adapt plans accordingly. • Implementation of planned ICT improvements. Update to documentation. • Training and support to existing and newly recruited staff. • Backup restoration through full disaster recovery test.

Since the last meeting the keys point to note from the table above and the risks attached are:

- 5.4 The risk regarding Impact of Coronavirus (Covid-19) on the business and communities of Melton has reduced as we continue to recover from the pandemic and the continued roll out of the vaccine programme moving this from a medium to low risk. At the last review we outlined that we would keep a watching brief as we entered the winter months where the potential for an increase in new variants could occur. Fortunately, things remained fairly stable over the winter months in terms of Covid-19 and therefore this risk has been removed from the strategic risk register.

- 5.5 The risk concerning the failure to deliver the MMDR has increased due to the cost escalation risk due to inflationary pressures putting additional burdens on County Council finances that make affordability a greater challenge. Whilst there has been some certainty about the North and East areas progressing with funding in place and initial work underway, the Southern section is less well developed and subject to similar cost escalation a risk remains that LCC could identify a funding shortfall for the southern section.
- 5.6 Continued improvement has been made regarding the Housing Revenue Account Business Plan following development and approval of the HRA business plan which had moved from a high to medium risk. Now we have in place an updated asset management plan this risk has been moved back down to the directorate risk register as it becomes business as usual.
- 5.7 Following the implementation of the new in house partnership arrangements the stability of future provision of ICT services has been a risk with the loss of senior engineers which has created capacity issues alongside poor documentation handed over from the outgoing contractor. This has resulted in some recent performance issues affecting service delivery and therefore anticipated residual risk has been increased.
- 5.8 A new risk around the resourcing of the projects relating to Levelling Up Funding, the UKSPF Investment Plan, Asset Development Plan and Leisure developments has been added. Delivery of these projects will require additional capacity and different sets of experience, knowledge and skills at various stages of the projects. Not all the capacity and skill sets are available within the existing teams. Involvement from Property, Regeneration, Housing and Communities and Corporate services will be required to implement these projects. The teams are busy with the day to day and operational activities and will be stretched with key strategic priorities being delivered simultaneously. A resourcing plan is being developed to address any resource gaps arising from these various projects.
- 5.9 The other risk scores have remained the same as a number of actions are still being worked through and have a longer timeline for implementation of mitigating actions
- 5.10 As referred to in para 4.2 the council also maintains directorate risk registers to help manage those risks that are more service specific to support and manage service delivery. Some of the directorate risks that are being managed within services for example are:
- Impact on finances and resources for dealing with enforcement and appeals work
 - Council housing stock not being compliant with property health and safety standards
 - HRA business processes including Voids, Right to Buy, housing systems and rent collection
 - Addressing the climate change agenda
 - Resource levels within teams to deliver services
 - Delivery of key projects with directorates
 - Fraud and corruption
 - Cemetery Provision
 - Development of the local plan review

5.11 Risk Management Update

- **Training** – officers are actively working on the development of a E-Learning course which will be a useful supplement to aide in refresher training. Training for members post the local elections in May 2023 will also be taken into account in member development plans.
- **Updated Risk Management Policy** – An updated Risk Management Policy and Strategy was approved by Audit and Standards at their November meeting which has been rolled out across the council.
- **Health and Safety (H&S)** – Cabinet recently received at its January meeting an annual update on Corporate Health and safety which outlined a number of achievements over the last 12 months to provide assurance that health and safety is being proactively and appropriately managed. A lot of work has been undertaken by the new health and safety officer and health and safety working group, including a review of policies and safety management standards, development of inhouse training, alongside an overview of H&S compliance across the organisation.

In the coming year some of the key areas of focus will be reviewing the remaining safety management standards, follow up compliance audits including corporate / housing assets and ensuring sufficient resilience and sustainability of improved health and safety arrangements.

6 Options Considered

- 6.1 An alternative option is that Audit and Standards do not review the Strategic Risk Register. This is not considered a viable alternative as it is essential that members have strategic oversight of the organisation.

7 Consultation

- 7.1 Cabinet have reviewed the updated strategic risk at their meeting on 8 March 2023. There has been wide engagement across the organisation in the review of the various risks facing the council.

8 Next Steps – Implementation and Communication

- 8.1 Senior Management will continue to monitor and update the Strategic Risk Register as appropriate and will report back to members later in the year with a further update.
- 8.2 Officers will continue to liaise with Zurich Risk Management to review any further training including the development of an E-learning package and support options for both staff and members to ensure the Councils risk management arrangements remain fit for purpose.

9 Financial Implications

- 9.1 There are financial implications from poor Risk Management however, with robust procedures these should be minimised or eradicated.
- 9.2 The Council's insurance contract contains support on a range of risk management areas with the recent development of an E-learning package being funded from this provision therefore incurring no additional cost to the council for the support provided by Zurich. There, will be a minor cost incurred in developing the web version to integrate with the councils new learning system but this will be contained within existing training budgets.

Financial Implications reviewed by: Director For Corporate Services

10 Legal and Governance Implications

- 10.1 The Accounts and Audit Regulations 2015 Part 2 Section 3A(c) require the Council to have in place a 'sound system of internal control which includes effective arrangements for the management of risk'.
- 10.2 Failure to adequately address legal issues arising from any activity of the Council increases risk. Officers endeavour to ensure Members are adequately advised and projects properly implemented to ensure that Legal requirements are met

Legal Implications reviewed by: Deputy Monitoring Officer 03.03.23

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 direct implications arising

15 Risk & Mitigation

- 15.1 All risks are outlined in the risk register in Appendix A.
- 15.2 A summary of the risk register scoring matrix and assessment guidance is also included in Appendix A that officers have used when making their judgements on the likelihood and impact of each risk in order to identify the overall risk rating.

16 Background Papers

- 16.1 There are no specific background papers

17 Appendices

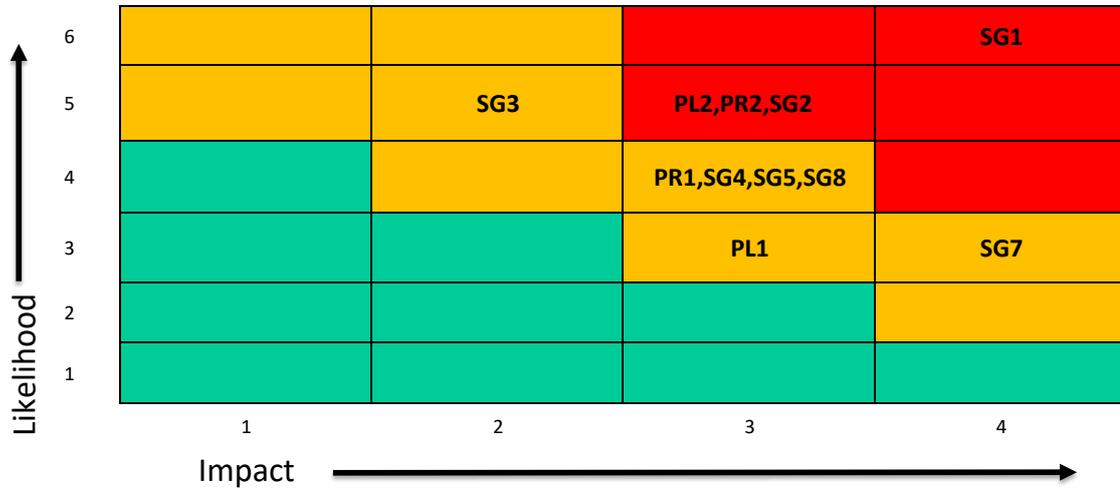
- 17.1 Appendix A - Strategic Register February 2023

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Risk Register



Risk Ref	Risk Description	Current Risk Rating	Target Risk Rating
PL1	Inability to influence, secure and then maximise the benefit to Melton residents from Devolution, County Deal and UK Shared Prosperity Fund	9	6
PL2	Cost of Living - Impact on households and businesses across Melton	15	4
PR1	Failure to deliver MMDR (in full or in part) and the financial and legal impacts on Melton Borough Council arising from any agreement with the County Council which seeks to support delivery.	12	3
PR2	Uncertainties regarding future leisure provision in Melton	15	4
SG1	Failure to secure financial stability in the medium term	24	12
SG2	Stability of future provision of ICT services following new arrangements.	15	12
SG3	Financial pressures undermining partnerships (integrated working)	10	8
SG4	Failure of a key supplier e.g. Housing Repairs, Waste and Leisure	12	9
SG5	General Data Protection Regulation (GDPR) / Request for Information compliance	12	6
SG7	ICT Security Breaches	12	8
SG8	Resourcing of the LUF, UKSPF, ADP and Leisure developments	12	6

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Risk Register

REF	RISK TITLE & DESCRIPTION (a line break - press alt & return - must be entered after the risk title)	RISK VULNERABILITY AND CAUSE	RISK CONSEQUENCES	EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)			FURTHER ACTION REQUIRED	TARGET RISK RATING (6-12mths) (See next tab for guidance)			RISK OWNER	CATERGORY FOCUS	RISK REVIEW DATE
					LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING			
PL1	Inability to influence, secure and then maximise the benefit to Melton residents from Devolution, County Deal and UK Shared Prosperity Fund	The Levelling Up White Paper was published in January 2022. It sets out 12 Missions which it seeks to achieve by 2030. 9 pathfinder locations were confirmed as having the opportunity to negotiate a County Deal. Leicestershire has been confirmed as one of the pathfinders. The White Paper has confirmed that any 'deals' will be with upper tier authorities only. The Levelling Up and Regeneration Bill has also now been published. It remains unclear what any deal would include though the County Councils have confirmed they are only able to pursue a level 2 deal and therefore the prospect of early progress has reduced. The extent to which District Councils will have an opportunity to influence, contribute to and support remain unclear though assurance have been provided.	Inability to achieve corporate objectives / In ability to secure additional funding to support priorities / Duplication of focus / Breakdown in relationships and partnerships.	The 7 District Council Leaders previously provided written support to the County Council's submission of a County Deal proposal. Further discussions have taken place and the at this stage the focus is on governance and the County Council have confirmed they will be pursuing a level 2 deal. D2N2 have recently confirmed finalisation of their level 3 deal. The County Council have advised that limited progress is currently being made in this area and it is unclear when that will change. District Leaders recently met with the City Mayor to maintain ongoing dialogue	3	3	9	Future meetings of District and County leadership arranged. Chief Executives reviewing options for joint strategic meetings to explore key strategic themes and the first of these LLR Executive Forums have recently taken place.	2	3	6	Chief Executive	PLACE	Aug-23
PL2	Cost of Living - Impact on households and businesses across Melton	High levels of inflation likely to continue, high energy costs. Likely impact across the Borough leading to reduce financial resilience and vulnerability. Potential recession, loss of jobs and financial hardship	Vulnerable households, financial pressures on households and businesses, risk of ill health and inability to make healthy choices, risk of poverty, food poverty. Increased household stress. Risk of rent and council tax arrears, inability to pay bills. Risk of increased reliance on high interest loans or illegal lending. Impact on mental health; health, wellbeing and resilience across communities.	Cost of Living project group in place (cross directorate) and cost of living plan in place, agreed by cabinet with clear focus on: Communication and information Insight and Evidence Support (including direct route to case management team, and high rate of referrals through the household support fund) UKSPF - community supermarket proposal Leadership of countywide groups on cost of living.	5	3	15	Implement alternative energy rebate scheme. Maintain cost of living project group and monitor progress against actions. Continue to review customer feedback and gov metric data to understand impacts and pressure points. Work through cross-district groups to share best practice and support initiatives	2	2	4	Director for Housing and Communities Director for Growth and Regeneration	PEOPLE PLACE	Apr-23
PR1	Failure to deliver MMDR (in full or in part) and the financial and legal impacts on Melton Borough Council arising from any agreement with the County Council which seeks to support delivery.	Following some recent uncertainty due to cost inflation, the funding for the North and East is largely in place and the final steps for securing the DFT funding are currently being taken by LCC. Initial work on the north and east is underway. The Southern section is less well developed and subject to similar cost escalation and a risk remains that LCC refuse to accept the Housing Infrastructure fund for the southern section. LCC could also refuse to forward fund the required infrastructure or developer contributions are not realised. There is also a risk that in seeking to reduce cost a sub-optimal option is pursued which doesn't meet local needs or expectations fully.	Undermines the Melton Local Plan and broader growth aspirations. More pressure for Housing growth in rural areas. Reputational impact. Legal Challenge and financial implications which affect services and the Council's sustainability through any agreement with the County Council.	DIT has awarded £50m funding for the north and east sections and the business case to confirm the funding has been submitted and confirmation of funding is expected in February 2023. Despite inflationary cost pressures, the County Council has reconfirmed its commitment to delivering the north and east sections of the road, with work due to start in March/April 2023. In relation to the Southern section the Council has agreed and approved a Masterplan for the Southern SUE and entered an Infrastructure Funding agreement with the County Council which has enabled them to accept the Housing Infrastructure Fund. Alongside this the Council has also adopted a Developer Contributions SPD. Work continues with the county council on delivery of the southern section but inflationary pressures will undoubtedly make affordability a greater challenge.	4	3	12	Continue to work with LCC on the MMDR project and support delivery of the planning applications	1	3	3	Chief Executive	PRIORITIES	Jun-23

Risk Register

REF	RISK TITLE & DESCRIPTION (a line break - press alt & return - must be entered after the risk title)	RISK VULNERABILITY AND CAUSE	RISK CONSEQUENCES	EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)			FURTHER ACTION REQUIRED	TARGET RISK RATING (6-12mths) (See next tab for guidance)			RISK OWNER	CATERGORY FOCUS	RISK REVIEW DATE
					LIKELI HOOD	IMPACT	RISK RATING		LIKELI HOOD	IMPACT	RISK RATING			
PR2	Uncertainties regarding future leisure provision in Melton	Ageing facilities, identification of need for improved leisure facilities, service and reputational associated with them. Need for improved leisure facilities and identification of funding to support this.	Reputational, continuity of provision and services, cost of enabling new facilities, costs to address dilapidation issues link to age of existing facilities	Contract management in place with SLM as current service provider. Dialogue between key teams and contractor on asset related issues to ensure remedial action on a case by case basis at Waterfield Leisure Centre. Leisure procurement project underway, set within financial context. Currently no financial support from government for the leisure sector - key risk. Ongoing work on health and leisure vision progressing (in line with corporate strategy commitment) and is necessary to appropriately address this risk item. Health and safety audit completed at WLC. Remains a key strategic risk due to financial climate.	5	3	15	Procurement of leisure contract (to go live 1st April 2024). Key decision making milestones in March 2023 and November 2023. Health and Leisure Vision project progress will be key to longer term resolution and risk reduction. Ongoing dialogue between appropriate teams regarding Waterfield Leisure Centre including contract management, health, property and assets	2	2	4	Director for Housing and Communities Director for Growth and Regeneration	PRIORITIES	Mar-23
SG1	Failure to secure financial stability in the medium term	Government funding cuts and uncertainty regarding longer term funding position alongside inflationary pressures on Council and local community increasing costs. Decline in income streams. Fair funding Review and review of business rates baseline originally due to be effective from 2020/21 but timing now delayed and unclear if still going ahead, what form it will take and from when. Retained business rates more volatile due to government policy changes, impact of covid, revaluation and inflationary pressures. NHB to be phased out but unclear what if any growth incentivised funding will replace this. Partnership funding cuts. Demographics (increased demand). Structural deficit in the budget relying on reserves to balance in 2023/24 followed by further forecast budget gaps in later years. Cipta financial resilience and LGA financial review concerns primarily regarding the level and rate of depletion of reserves. Ability to fund unexpected events such as enforcement action and appeals. Need and desire to invest versus low level of capital receipts. Capital strategy is not as well formed as it could be due to corporate Asset management Plan not in place and only essential repairs affordable	Inability to achieve corporate objectives. Savings having to be made that impact service delivery. Low staff morale and high staff turnover as workforce is reduced leading to capacity issues. High cost services that fail to meet customer needs, demands and expectations. Poor customer satisfaction leading to high failure demand. Deterioration in asset conditions and no capital to invest in aspirations which could lead to increased income/reduced expenditure.	Priorities agreed through corporate strategy. Regular liaison and consultation with unions. People Strategy e.g. staff training and support. Maximising partnership working to deliver better outcomes at reduced local cost. Regular review of MTFS. Well informed public and members around priorities, cost of services and resources available. Regularly review risk associated with partnership projects and funding. Risk assessed working balance which takes into account potential fluctuations of income and expenditure levels against budget. Move to increase the working balance to the higher level of the range identified through the risk assessment. MTFS is subject to sensitivity analysis. Ongoing review of any changes in government funding. Ongoing consideration to be given to public consultation to ensure the proposals are understood within the context of the financial position. Regular liaison and lobbying of government and other groups to recognise the need for fair funding. Development of financial sustainability programme.	6	4	24	Development of the financial sustainability plan that realistic and achievable and sufficient to meet budget gap. Prioritise spending plans that will generate savings in return. Consider options for reducing failure demand e.g. prevention and demand reduction through service transformation. Continue to lobby government and other groups to ensure fair funding of covid and ongoing funding.	4	3	12	Director for Corporate Services	SERVICE AND GOVERNANCE	Jun-23
SG2	Stability of future provision of ICT services following new arrangements.	LICTP recently moved to an in house service provision via HBBC and loss of one partner. Documentation from outgoing contractor is poor and there has been a loss of senior engineers post move. Risk that there is instability whilst documentation is improved and infrastructure is updated. Increased demand for ICT services due to need for more increased remote working. Customer impact / accessibility when ICT is unstable.	Poor IT operational service leading to service issues and poor customer service, failure to invest in IT developments both strategic and operational leading to lack of service progress. Poor staff morale and frustration with IT provision. Failure of core systems resulting in loss of service.	Additional resources provided by partners to support service needs and escalate infrastructure improvements. Independent diagnostic review to ensure roadmap will address core infrastructure improvements required. Regular strategic review meetings to ensure partnership is aligned. Governance reviewed to support the new service arrangements. New business analysts provided as part of new structure to work with partner services to develop future IT provision.	5	3	15	Regular monitoring and review of planned activities and consideration of further investment in ICT. Review of findings of diagnostic review and adapt plans accordingly. Implementation of planned ICT improvements. Update to documentation. Training and support to existing and newly recruited staff. Backup restoration through full disaster recovery test.	4	3	12	Director for Corporate Services	SERVICE AND GOVERNANCE	Jun-23
SG3	Financial pressures undermining partnerships (integrated working)	Reduced funding from partners. Conflicting priorities between partners.	With ongoing financial pressures it is difficult to achieve effective partnership working that can have a real impact on key issues such as crime, ASB, substance misuse, social mobility, inclusive growth and homelessness.	Maintaining relationships with senior leaders and commissioners from other organisations. Working through existing partnership structures. Take advantage of co-location and shared uses of buildings. Proactive engagement with key partners to support outcomes for communities including leadership role in key health and wellbeing partnerships and Melton Helping People Partnership. Increased collaboration with Lightbulb project and homelessness partnerships. Continued investment in Community Grants Scheme with policy aligned to evidence based Council priorities and outcomes means the council can continue to support local community and voluntary sector organisations. Current budget consultation with county council proposes potential reduction to public health funding (possible impact on healthy and active communities service	5	2	10	Relaunch of helping people partnership as Community, Health and Wellbeing Partnership. Community grants pot maintained and support to community and voluntary sector included as part of UKSPF. Monitor impacts of LCC budget reductions on services such as homelessness and healthy / active communities	4	2	8	Director for Housing and Communities	SERVICE AND GOVERNANCE	May-23
SG4	Failure of a key supplier e.g. Housing Repairs, Waste and Leisure	Supplier failure. Bankruptcy. Volatility of construction sector, vulnerability inflationary/recessionary pressures	Failure to deliver service. Reputational damage. Financial costs. Capacity to deal with the implications. Legal implications.	Robust procurement. Performance Bonds. Regular dialogue with and monitoring of the key suppliers and contracts.	4	3	12	Ongoing monitoring of key suppliers/contracts. Audit of leisure contract management in 23/24 audit programme. Waste contract proposed 24/25 (one strategic contract audited per year proposed)	3	3	9	Director for Housing and Communities	SERVICE AND GOVERNANCE	Apr-23
SG5	General Data Protection Regulation (GDPR) / Request for Information compliance	Failure to invest in the required systems and posts required to ensure compliance. Failure to adequately train staff in the requirements of the Regulations. Lack of resource (capacity and expertise) to ensure data is accurate, retained in line with retention periods, documented and maintained.	Non compliance with statutory requirements.	Policies have been updated, data protection guidance and training for staff/members undertaken on a rolling basis, Data Protection Officer in place.	4	3	12	Information Asset Register to be reviewed by managers on an annual basis, Information champions to be established. Information Governance Strategy to be drafted. Look at resources to provide more support for the control of data and recording of data held. Post to be recruited to due to staffing changes and training to be provided to BSO's	2	3	6	Director for Corporate Services Assistant Director for Governance & Democracy	SERVICE AND GOVERNANCE	Jun-23

Risk Register

REF	RISK TITLE & DESCRIPTION (a line break - press alt & return - must be entered after the risk title)	RISK VULNERABILITY AND CAUSE	RISK CONSEQUENCES	EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)			FURTHER ACTION REQUIRED	TARGET RISK RATING (6-12mths) (See next tab for guidance)			RISK OWNER	CATERGORY FOCUS	RISK REVIEW DATE
					LIKELI HOOD	IMPACT	RISK RATING		LIKELI HOOD	IMPACT	RISK RATING			
SG7	ICT Security Breaches	Data loss or inability to deliver systems and services from internal or external ICT Security breaches. Internal breaches by employees may be malicious or accidental, either compromising data or systems by deliberate action or inaction. External breaches are by Cyber actors deliberately attempting or breaching ICT perimeter controls, or by misleading staff to take action that compromises ICT security, to remove data, encrypt systems, extort monies, or disable the authorities ability to deliver its services	Loss of data, security breach introducing a virus into council systems, breach of legislation such as data protection resulting in prosecution or fine and reputational damage. System loss leading to interruption in services being delivered to customers.	Perimeter Security, Systems and data is backed up, Annual IT Health checks and penetration testing, Cyber Essentials and PSN accreditation, Security Working Group, policies in place to support and advise staff, ICT monthly articles and newsletters aimed at increasing staff cyber security awareness, Encryption detection software, Antivirus software, Mail Filtering, Sophos Unified Threat Manager, Intrusion detection software, Dark Trace antigen in place identifying unusual activity and autonomously blocking activities, also Intercept X detecting and unauthorised encryption and protecting files 3-2-1 Backups in place 3 copies, 2 locations, 1 Off-site	3	4	12	Additional Cyber security appliances to reduce the likelihood of successful intrusion and unusual behaviour, Network Access Control to secure the network from unauthorised devices, Privilege Access Management to mitigate internal threats. Implement additional internal protections such as Zero Trust or Mico segmentation to stop employees or attackers with a foot hold in the network from being able to laterally move across the network, implement Managed SOC (Security Operations Centre) as well as a PAM (privilege access management) to reduce the ability of privileged users to access and exfiltrate data or perform unaudited changes.	2	4	8	Director for Corporate Services	SERVICE AND GOVERNANCE	Jun-23
SG8	Resourcing of the LUF, UKSPF, ADP and Leisure developments	Delivery of these projects will require a different set of experience, knowledge and skill set at various stages of the projects. Not all skill sets are available within the existing teams. Involvement from Property, Regeneration, Housing and Communities and Corporate services will be required to implement these projects. The teams are busy with the day to day and operational activities and will be stretched with key strategic priorities being delivered simultaneously.	Stretched resources or lack of relevant skill sets could lead to delays in delivery, mistakes, lack of compliance to regulations, and reputational damage	Additional resource needs are included in the ask for external grant funding such as LUF and UKSPF to increase capacity within the team and seek external support where required. Any future capital funding need for delivery of large scale projects will include additional resources for project management and niche technical advice.	4	3	12	A resource plan will be prepared identifying focus areas. SLT will maintain oversight of projects delivery to ensure resource pressure are considered at all stages of the projects. New posts will be recruited at relevant stages in accordance with the resource and project plan.	2	3	6	Director for Growth & Regeneration	PLACE	Jun-23

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Risk Matrix and Scoring Guide

			Impact / Consequences			
			Negligible	Marginal	Critical	Catastrophic
			1	2	3	4
Likelihood	Score/definition	Probability				
	6 Very High	More than 90%	Medium (6)	Medium (12)	High (18)	High (24)
	5 High	55% to 90%	Medium (5)	Medium (10)	High (15)	High (20)
	4 Significant	15% to 55%	Low (4)	Medium (8)	Medium (12)	High (16)
	3 Low	5% to 15%	Low (3)	Low (6)	Medium (9)	Medium (12)
	2 Very Low	1% to 5%	Low (2)	Low (4)	Low (6)	Medium (8)
	1 Almost impossible	0% to 1%	Low (1)	Low (2)	Low (3)	Low (4)

Likelihood		Impact	Description guide
Very High	> 90%	Negligible	Minor financial, no effect on service provision or reputation, limited physical consequences
High	55% to 90%	Marginal	£10k - £200K???, service slightly reduced broken bones/illness, objectives of one area not met, minor adverse local media, impact on inspection (s)
Significant	15% to 55%	Critical	£200K - £1M, service suspended short term / reduced, loss of life/major illness, area objectives not met, industrial action, adverse national publicity
Low	5% to 15%		
Very Low	1% to 5%	Catastrophic	£1M- £10M, service suspended long term, statutory duties not delivered, major loss of life/large scale major illness, corporate objectives not met, mass staff leaving/Unable to attract staff, Remembered for years!! Service taken over permanently

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Audit and Standards

28th March 2023

Report of: Chief Internal Auditor

Internal Audit Plan 2023/24

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

1 Summary

- 1.1 The report provides Members with a copy of the draft Internal Audit Plan for 2023/24 and the Internal Audit Charter for review and formal approval, in line with the requirements of the Public Sector Internal Audit Standards.

RECOMMENDATION(S)

That Committee:

1. Review and approve the Internal Audit Plan for 2023/24 (Appendix A).
2. Approve delegated authority 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. Approve the Internal Audit Charter and Strategy (Appendix B).

2 Reason for Recommendations

- 2.1 To approve the Internal Audit plan and charter, in line with the Public Sector Internal Audit Standards.

3 Background

- 3.1 The Audit and Standards Committee is responsible for overseeing the delivery of the Internal Audit service.

4 Main Considerations

Basis for the plan

- 4.1 The PSIAS (section 2000) state that the Chief Internal Auditor must “establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals” and “must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management (Senior Management Team) and the board (Audit Committee) for review and approval”.
- 4.2 In setting the annual Internal Audit Plan, the PSIAS require:
- a) The audit plan should be developed taking into account the organisation’s risk management framework and based upon a risk assessment process undertaken with input from senior management and the Audit Committee;
 - b) The audit plan should be reviewed and approved by an effective and engaged Audit Committee to confirm that the plan addresses their assurance requirements for the year ahead; and
 - c) The Chief Internal Auditor should consider accepting proposed consulting engagements based on the engagement’s potential to improve management of risks, add value and improve the organisation’s operations.
- 4.3 In order to ensure that the Audit Plan for 2023/24 addresses the Council’s key risks and adds value, the Chief Internal Auditor has identified and prioritised the areas for coverage by:
- Reviewing the Council’s Risk Registers and Corporate Strategy;
 - Analysing coverage of Internal Audit reviews over the last four years and the assurance opinions provided following each review, to identify any assurance gaps or areas where follow up work would be of value;
 - Horizon scanning for changes in legislation / regulations; upcoming projects or funding; and potential emerging risks for the year ahead;
 - Identifying any other sources of assurance for the Council’s key risks, which may reduce the added value of an Internal Audit review and where work could be aligned with other assurance providers;
 - Identifying areas of the Audit Universe (a list of potential areas for audit review across the Council) which have not been subject to Internal Audit review during the last four years;
 - Discussion and consultation at the Audit and Standards Committee and Portfolio Holders on the planning process and areas where Members require assurances from Internal Audit during 2023/24. Members were invited to refer potential risk areas for coverage to the Chief Internal Auditor or Chair of the Audit & Standards Committee; and
 - Meetings with members of Senior Leadership Team to discuss key risks and emerging risk areas for the year ahead and any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.
- 4.4 All potential audit coverage identified has then been risk assessed and prioritised for inclusion in the Audit Plan, in consultation with the Chair of the Audit & Standards

Committee and Senior Leadership Team. This has been based on risk, other sources of assurance available and potential value added from a review during this period.

- 4.5 Following this consultation and review, a Draft Internal Audit Plan has been compiled and is provided in Table 1 of Appendix A. This list has been consulted upon with the Chair of the Audit and Standards Committee. If the risk environment changes during 2023/24 the Audit Plan can be amended and these assignments can be re-assessed for possible coverage. A reserve list has also been provided, which reflects other risk areas considered for inclusion in the plan and the proposed approach to these areas. Should any of the planned assignments be removed from the plan, or reserve areas become of greater priority due to changes in the risk environment, this list will inform any plan amendments.
- 4.6 To ensure that the Internal Audit activities are consistently focused upon the Council's key risks, the plan will remain subject to ongoing review by the Chief Internal Auditor throughout the year and will be subject to regular consultation with senior management. To enable the Internal Audit team to be responsive and amend the planned activities to address any new or emerging risk areas as required, it is recommended that a mechanism be agreed to allow for changes to the Audit Plan between Audit and Standards Committee meetings. Any such amendments would be agreed by the Director for Corporate Services, in consultation with the Chair, and reported at the subsequent meeting of the committee.

Plan coverage

- 4.7 The plan includes a range of audit assignments which seek to add value and provide assurance. There is a requirement to conduct the fundamental coverage of key financial controls, governance and policy compliance on an annual basis as these must inform the annual Audit Opinion and provide the necessary assurances to the Council's s151 Officer.
- 4.8 In providing risk based assurances over the Council's processes and controls, a range of audits have been proposed which relate to key risk areas identified through consultation and review of risk registers. These will provide targeted reviews of areas where assurance over the design and effectiveness of controls is a priority.
- 4.9 To maximise the value added by Internal Audit's engagements, there is an increasing move towards providing "real time assurances". This reflects a need for Internal Audit to be engaged at the outset of key projects and emerging risks, rather than conduct retrospective audits of compliance. The Audit Plan for 2023/24 seeks to deliver this, where possible, and also provides flexibility to respond to such requests and ensure ongoing engagement with service areas. The audit work on the UK Shared Prosperity Funding (UKSPF), Rural England Prosperity Fund and Levelling Up Fund (LUF) will adopt this approach, seeking to give timely assurances over the use of these grant monies.
- 4.10 In assessing priority areas for audit coverage, consideration is given to key risks where other sources of assurance are already available.
- 4.11 The coverage includes audits of areas funded by both the General Fund (general and special expenses) and the Housing Revenue Account (HRA). A number of the audits are cross cutting in this regard as they will cover activity relating to both areas. There are also a number of audits specific to grant funded projects.
- 4.12 In order to provide some flexibility and the opportunity to actively engage with, and support, the development of robust controls, governance mechanisms and risk management, an allocation of days for ad hoc advice has been included within the support

days. This time can be used for ad-hoc queries and advice, in addition to providing some contingency and flexibility where emerging risks require prompt audit engagement. This will also provide the opportunity for regular dialogue between Internal Audit and the service leads, highlighting potential changes in risk profiles and raising the profile of the service with officers.

- 4.13 The Internal Audit service provides support and advice to the Council on counter fraud activity. The audit team do not deliver against a set counter fraud plan but are available to provide specialised support and guidance as needed. The Audit & Standards Committee receive six monthly reports on counter fraud activity and this will continue in 2023/24.
- 4.14 Liaison with senior officers will continue throughout the year to ensure that the risks identified are consistent with their understanding and assessment of assurance and support needs and that this is reflective of the first and second lines of assurance within business areas. Any changes required to the plan based on a reassessment of risk or alternative sources of assurance will be agreed with the s151 Officer, in consultation with the Chair of the Audit and Standards Committee and reported at the subsequent Committee meeting.

Internal Audit Charter and Strategy

- 4.15 **Appendix B** to this report provides a copy of the Internal Audit Charter and Strategy. The Public Sector Internal Audit Standards define the internal audit charter as 'a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation, including the nature of the chief audit executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities'.
- 4.16 The Internal Audit Charter and Strategy has been fully reviewed for 2023/24 and whilst the content remains aligned with the Public Sector Internal Audit Standards (PSAIS) some amendments have been made to the presentation of the document.
- 4.17 As part of this review, the assurance ratings and definitions have also been reviewed and it is proposed that the rating of 'Satisfactory' assurance be replaced with 'Moderate' assurance. It is the opinion of the Chief Internal Auditor that this better reflects this mid-range rating and cannot be interpreted as the systems/controls being acceptable without further action. The definitions of all assurance ratings have been refreshed to better reflect the risk impacts and clarify the basis for the opinion. The organisational risk categories have also been amended from 'Major / Moderate / Minor' to 'High / Medium / Low' to better align with more commonly applied risk terminology.

5 Consultation

- 5.1 The Audit & Standards Committee, Corporate Leadership Team and Portfolio Holders have been consulted in the development of the internal audit plan coverage for 2023/24.

6 Next Steps – Implementation and Communication

- 6.1 The Internal Audit plan will form the schedule of work for the Internal Audit service for 2023/24 and regular progress reports will be brought to the Audit and Standards Committee throughout the financial year.

7 Financial Implications

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

Financial Implications reviewed by: Director for Corporate Services

8 Legal and Governance Implications

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

Legal Implications reviewed by: Monitoring Officer

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 Plan 2023/24

15.2 Appendix B: Internal Audit Charter and Strategy

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**Internal Audit Plan
2023/24
Melton Borough Council**

Chief Internal Auditor: Rachel Ashley-Caunt CPFA

Internal Audit Plan 2023/24

1. Introduction

- 1.1 This report sets out the proposed work of Internal Audit at Melton Borough Council for 2023/24 for review and approval by the Audit & Standards Committee.
- 1.2 Internal Audit provides independent assurance designed to add value and support the Council in achieving its priorities and objectives. To deliver this, Melton Borough Council commissions 265 days for delivery of the Internal Audit service on an annual basis.
- 1.3 The provision of assurance services is the primary role for Internal Audit in the public sector. This role requires the Chief Internal Auditor to provide an annual Internal Audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 1.4 Internal Audit also provide consultancy services which are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion. Any proposed consultancy/advisory work is clearly specified as such on the Audit Plan.
- 1.5 In setting the annual Audit Plan, the Public Sector Internal Audit Standards require:
- The audit plan should be developed taking into account the organisation's risk management framework and based upon a risk assessment process undertaken with senior management and the Audit & Standards Committee;
 - The audit plan should be reviewed and approved by an effective and engaged Audit & Standards Committee to confirm that the plan addresses their assurance requirements for the year ahead; and
 - The Chief Internal Auditor should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations.

2. The Audit Plan

- 2.1 The Audit Plan covers the two key component roles of Internal Audit:
- The provision of an independent and objective opinion to the Section 151 Officer and the Audit & Standards Committee on the degree to which risk management, control and governance support the achievement of Council objectives; and
 - The provision of an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements.
- 2.2 Central to the organisation, is the core delivery of the Council's objectives and corporate plan. The risk based audits are focused upon providing independent assurance over the controls in place to support delivery of those objectives.
- 2.3 In order to protect the Council in delivering these objectives, it is essential that the Council's key corporate controls and policies are operating effectively to prevent the risk of financial loss, failure to comply with legislation, lack of accountability and reputational damage. These controls and policies cover both financial and non-financial systems and processes. These policies and controls must be complied with by all service areas to secure the Council's ongoing stability and service delivery.

2.4 Further protecting and underpinning the Council's ongoing delivery of its objectives are robust counter fraud controls and good governance. Without these, the Council would be exposed to the risk of fraud and corruption (both internally and externally), uninformed or non-transparent decision making, loss of accountability and direction, poor risk management and failure to embed and demonstrate ethical behaviours and values.

2.5 As such, the Audit Plan is designed to deliver independent, objective assurance on each of these areas – which are vital to the successful delivery of the Council's objectives and services.

Value for money

2.6 In addition to assurance over governance, risk management and controls, the Audit Plan should also provide assurance over the Council's delivery of value for money. Assurance over value for money is embedded within each audit assignment.

2.7 Some of the corporate level audits will provide specific assurances in relation to the value for money requirements – the audit of procurement compliance, for example, will seek assurance over the effective procurement of supplies and services.

Fraud risks

2.8 In the scoping of every audit assignment, consideration is given to any fraud risks associated with the processes under review. These are specifically considered for any relevant audit coverage.

2.9 In addition, the Internal Audit team also support with pro-active counter fraud work and are available to provide ad-hoc advice and assistance should any concerns be raised. The Council's whistleblowing policy provides Internal Audit as a point of contact for raising concerns and, should any investigation work be required, the team includes officers with the skillset and experience to deliver fact finding investigation work.

Housing revenue account / general fund

2.10 The audit plan covers activity funded both by the general fund and the Housing Revenue Account. The Housing Revenue Account related risks are shown in bold on Table 1. It should be noted that the cross-cutting audit work, such as budgetary control, covers both general fund and Housing Revenue Account activity.

3. Planning process

3.1 In order to ensure that the Audit Plan for 2023/24 addresses the Council's key risks and adds value, the Chief Internal Auditor has identified and prioritised the areas for coverage by:

- Reviewing the Council's Risk Registers and Corporate Plan;
- Considering the sources of assurance listed against each of the Council's risk entries, which may reduce the added value of an Internal Audit review and where work could be aligned with other assurance providers;
- Horizon scanning for changes in legislation / regulation and emerging risk areas for the year ahead;
- Identifying areas of the Audit Universe (a list of potential areas for audit review across the Council) which have not been subject to Internal Audit review during the last four years;

- Reference to the audit planning process in the paper to Audit & Standards Committee in November 2022 to consult the Committee on any areas where assurance was specifically sought and consultation with Portfolio Holders and the Chair of Scrutiny; and
- Meeting with members of Senior Leadership Team to discuss key risks and emerging risk areas for the year ahead and any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.

- 3.2 The process has also incorporated consideration of potential audits which can be undertaken by drawing upon similar emerging themes from all councils with whom North Northamptonshire Council's Internal Audit team works.
- 3.3 Following this consultation and review, a draft Internal Audit Plan has been compiled and is provided in Table 1.
- 3.4 In order to ensure the Audit Plan addresses the Council's key risks and that the service is able to respond to any in year changes to the organisation's business, risks, operations, programs or systems, it is vital that the content of the Plan be subject to ongoing review throughout the financial year. To enable the service to be responsive and ensure all audit resources are used effectively and add maximum value, it is recommended that arrangements be agreed to allow changes to the Plan to be made between Audit & Standards Committee meetings, involving consultation between the Chief Internal Auditor, the S151 Officer and Chair of the Audit & Standards Committee.
- 3.5 Also provided is a 'reserve list' showing the other potential areas for coverage which were considered in the drafting of the Plan, but were assessed as lower priority. Should the risk environment change, which impacts on the relevance of the planned audit work, these can be considered as potential areas for alternative audit work – depending on any wider risk implications. The details of those areas are provided in Table 2, which explains the proposed plan for seeking assurances, should the audit coverage not be included in 2023/24.

Resources

- 3.6 The audit assignments are delivered by a team of audit staff including a mix of highly regarded professional qualifications (including CIPFA, ACCA and IIA) and extensive experience in the public and private sector. Absences and resource gaps/vacancies can be filled by the wider team, providing the resilience and stability of the delegated service.
- 3.7 Efforts are constantly made to ensure all clients benefit from the delegated arrangement and this work with multiple local authorities. This includes achieving efficiencies in delivering assignments, sharing of knowledge and experience and opportunities to deliver cross-cutting reviews.
- 3.8 Every year, all members of the team complete a declaration form to ensure and maintain independence and objectivity in conducting all assignments. As such, the Chief Internal Auditor can confirm the service's independence. The delegated service model also enables the Chief Internal Auditor to allocate audits to various officers over time, to avoid risks associated with over familiarity.
- 3.9 On an annual basis, the Chief Internal Auditor completes a self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards. In doing so, the Chief Internal Auditor must consider whether the resource base and mix is adequate and would highlight to the S151 officer and Audit & Standards Committee if there were any concerns

that the resources in place could not provide the required coverage to inform the annual Assurance Opinion.

Table 1: Draft Internal Audit Plan 2023/24

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Risk entries <i>*1</i>	Corporate objective <i>*2</i>	Initial timing	Client lead
Key corporate controls and policies	<p>Key financial controls To provide assurance over the design and compliance with key controls across the Council's key financial systems – on a cyclical basis. To include debt recovery (sundry debts and housing rent arrears) and treasury management. Note: 2022/23 testing coverage: Payroll, bank reconciliations, journals, suspense accounts, sundry debt invoicing, sundry debt write off, housing rents. 2021/22 testing coverage: Accounts payable/creditors, sundry debt recovery, financial system user access controls.</p>	18	SRR SG1 CS7 HRA10 FRR	5	Q4	Director for Corporate Services
	<p>Council tax / business rates – voids and exemptions To provide assurance over the Council's arrangements for identifying taxable properties in the borough and ensuring that exemptions in place on properties remain valid.</p>	12	SRR SG1 CS7 FRR	5	Q2	Director for Corporate Services
	<p>Budgetary control To provide assurance over the budget monitoring processes, including development and tracking of the Council's financial sustainability plans.</p>	10	SRR SG1	5	Q3	Director for Corporate Services
Growth and Regeneration – risk based audit coverage	<p>UK Shared Prosperity Funding (UKSPF) and Rural England Prosperity Fund To provide assurance over accurate record keeping for spend, compliance with funding terms and conditions, and effective application of monies to realise expected benefits and outcomes. Timing to be determined, based on progress with plans/spend.</p>	15	CPA16 RGEN07	3	TBC	Director for Growth and Regeneration
	<p>Levelling Up Fund (LUF) To provide assurance over accurate record keeping for spend, compliance with funding terms and conditions, and effective application of monies to realise expected benefits and outcomes. Timing to be determined, based on progress with plans/spend.</p>	15	CPA16 RGEN07	3	TBC	Director for Growth and Regeneration
	<p>S106 Agreements To provide assurance over the controls operating for the agreement of s106s and the effective monitoring and application of s106 monies. A review by the Planning Advisory Service (PAS) in 2023 may give rise to changes in processes/controls – to seek assurance over realisation of improvements in any new processes and their consistent application.</p>	15	SRR SG1 PLAD02	4	Q3	Director for Growth and Regeneration

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Risk entries *1	Corporate objective *2	Initial timing	Client lead
	Environmental health To provide assurance over compliance with expected regulations and policies in the delivery of the environmental health service. To include specific coverage on private sector housing, including latest Housing Health and Safety Rating System requirements for damp and mould. This area has been subject to changes in management and has not been subject to specific internal audit coverage in the last five years.	18	REG02 REG04 REG09	4	Q2	Director for Growth and Regeneration
	Asset development plan To provide embedded assurance support to this high value project – giving timely independent assurance over the project management arrangements. Timing is dependent on project delivery.	15	CPA05	5	Q4	Director for Growth and Regeneration
Housing & Communities – risk based audit coverage	Landlord health and safety To conduct some targeted annual testing to provide assurance that compliance regimes remain up to date.	5	HRA6	2	Q1	Director for Housing & Communities
	Supporting vulnerable people To seek assurance on the arrangements for supporting vulnerable customers and meeting legal duties [i.e. domestic abuse / antisocial behaviour / safeguarding arrangements]; adapting to and providing for emerging needs [i.e. cost of living / asylum contingency and dispersal / refugees]; and ensuring support mechanisms including proposed HRA hardship fund and discretionary energy schemes have been designed to meet the needs of the right people and administered correctly / demonstrate value for money. There are a number of service areas contributing to this work including the Case management Team at a cost of circa £400k, HRA resources, Anti social behaviour resources £130k plus resources in customer services and non HRA housing Teams.	18	SRR PL3 HC10	1	Q2	Director for Housing & Communities
	Leisure contract management To provide assurance over the controls in place to manage the delivery of this key contract to ensure delivery of services against expected standards, compliance with agreed pricing structures and resilience of services. This is one of the Council's highest value contracts and relates to decision making on future provision and changing risk environment.	15	SRR PR3 HC3	1	Q1	Director for Housing & Communities
	Housing voids management To provide assurance over the management of housing voids to ensure the timely turnaround of empty Council housing to new tenants.	10	HRA12	2	Q1	Director for Housing & Communities

Assurance Areas	Internal Audit Assignments (including assurances sought and basis for inclusion)	Audit days	Risk entries *1	Corporate objective *2	Initial timing	Client lead
	Housing regulatory change To provide assurance over the Council's preparedness for the regulatory change and inspection regimes. To include review of diagnostic work and delivery of any action plans arising from Scrutiny review.	12	HRA14	2	Q3	Director for Housing & Communities
	Contingency time	2				
Support to Melton Borough Council	Including support and reporting to Audit & Standards Committee, management support and engagement, ad-hoc advice and assistance, annual Internal Audit report, follow ups on audit recommendations and partnership working with external auditors.	35				
Management & development of Internal Audit	Development and management of Internal Audit service in line with the Public Sector Internal Audit Standards, including annual standards assessment, continuous improvement, internal audit charter and manual, management, training and development of the team and performance reporting.	20				
Total days		235				

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*1 Risk reference key:	*2 Corporate objectives:
SRR – Strategic risk register entry	1. Excellent services positively impacting on our communities
HC – Housing & communities risk register	2. Providing high quality council homes and landlord services
HRA – Housing Revenue Account risk register	3. Delivering sustainable and inclusive growth in Melton
REG – regulatory services risk register	4. Protect our climate and enhance our natural environment
CPA – Corporate assets risk register	5. Ensuring the right conditions to support delivery (inward)
PLAD – Planning risk register	6. Connected and led by our community (outward)
CS – Corporate services risk register	

Table 2: Reserve list 2023/24

Assurance areas	Comments
Waste contract management	Include in 2024/25 audit planning.
Licensing – follow up	To follow up on implementation of the action plan arising from the 2022/23 audit as part of standard follow up processes.
Climate change strategy	The potential for this to be included in the scrutiny workplan, This can be considered for inclusion in the audit plan once the associated targets and milestones are developed following the finalisation of the policy.
Procurement compliance	Assurance has been increasing in this area. Should the 2022/23 review highlight issues, provision could be made for an early review in 2024/25
Corporate health and safety	Management assurances to be sought and consider for 2024/25 audit planning.
Intensive housing management scheme (IHMS)	Lower risk – consider in 2024/25 planning.
Communities - customer journey & experience	Lower risk – consider in 2024/25 planning.
Housing rents	Coverage in 2022/23 financial systems testing.
Housing allocations	Assurances provided by management of robustness of current processes. Consider in 2024/25 planning.
Planning appeals	Value of an audit review may not be as great as other proposed assignments. Consider in 2024/25 planning.
Complaints management	Assurances from Local Government Ombudsman reports. To incorporate in audit planning for 2024/25.
Homelessness	Review by Scrutiny Committee in 2023/24.
Building control partnership	The relevant director will liaise with the Lead partners to ensure audits undertaken by the host are shared with all partners.

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Internal Audit
Charter and Strategy

Executive summary

The Internal Audit Charter defines the purpose, authority and responsibility of Melton Borough Council's Internal Audit service. It establishes the scope of the Internal Audit service and outlines how the service complies with statutory requirements, ethical and professional standards.

The key principles of Melton Borough Council's Internal Audit service are as follows:

- Internal Audit provides an Annual Internal Audit Opinion based on an objective and comprehensive assessment of the Council's framework of governance, risk management and control.
- Internal Audit provides advice and consultancy services with the aim of adding value and improving organisational governance, risk management and control.
- All Council activities fall within the scope of Internal Audit, and the Internal Audit service has a complete right of access to all records and property held by Melton Borough Council and to all officers of the Council.
- Internal Audit operates in compliance with Public Sector Internal Audit Standards (PSIAS) and the Chartered Institute of Internal Auditors' Code of Ethics.
- Internal Audit is independent and may report directly to the Chief Executive and the Chair of the Audit & Standards Committee. Regular reporting on audit activity is provided to the Section 151 Officer, Corporate Management Team and the Audit & Standards Committee.
- Internal Audit team consists of qualified and part-qualified professionals in assurance and accounting. The service is committed to professional development and continuous quality assurance and improvement.
- Internal Audit staff have a professional duty to operate in an ethical way, be honest and professional and demonstrate integrity at all times.
- The Internal Audit Charter is regularly reviewed and approved annually by the Audit & Standards Committee and senior management.

1 Purpose, Mission Statement and Definition

Purpose of the Charter and Strategy

- 1.1 The purpose of this Internal Audit Charter is to define Internal Audit's purpose, authority and responsibility. It establishes Internal Audit activity's position within the Council and reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of Internal Audit activities. The Charter and Strategy should enable Internal Audit to deliver a modern and effective service that:
- Meets the requirements of the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations;
 - Ensures effective audit coverage and a mechanism to provide independent and objective overall assurance in particular to Councillors and management;
 - Provides an independent Annual Opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control environment;
 - Identifies the highest risk areas of the Council and allocates available Internal Audit resources accordingly;
 - Adds value and supports senior management in providing effective control and identifying opportunities for improving value for money; and
 - Supports the Section 151 officer in maintaining prudent financial stewardship for the Council.

Internal Audit Mission Statement

- 1.2 The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Definition of Internal Audit

- 1.3 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

2 Context

2.1 The Council's Internal Audit service is delegated to North Northamptonshire Council. The delegated service is led by North Northamptonshire Council's Chief Internal Auditor, who fulfils the role of the Chief Audit Executive.

2.2 The core governance context for Internal Audit is summarised as follows:

- **The Accounts and Audit Regulations (2015)** set out that:

A relevant authority must ensure that it has a sound system of internal control which—

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(b) ensures that the financial and operational management of the authority is effective; and

(c) includes effective arrangements for the management of risk.

And 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.

A relevant authority must, each financial year—

conduct a review of the effectiveness of the system of internal control required by regulation 3; and prepare an annual governance statement.

- **The Public Sector Internal Audit Standards (PSIAS)** issued in 2017 include:

The need for risk-based plans to be developed for Internal Audit and to receive input from management and the 'Board' (usually discharged by the Council's Audit & Standards Committee).

The work of Internal Audit therefore derives directly from these responsibilities, including:

PSIAS 2010 - "The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."

PSIAS 2450 – "The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control".

- 2.3 The definitions applied to the PSIAS terminology throughout this document are provided in Table 1.

Table 1: Definitions

Terminology	Definition for Melton Borough Council
'Board', as per PSIAS	The Audit & Standards Committee
'Chief Audit Executive', as per PSIAS	The Chief Internal Auditor
'Senior management'	Corporate Management Team
'Assurance services'	An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the Council. Areas for assurance include financial controls, performance, policy compliance, system security and due diligence.
'Consultancy services'	Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the Internal Auditor assuming management responsibility. Such examples would include advice, facilitation and training.

3 Strategy

3.1 Internal Audit will provide the public, Councillors and Council officers with confidence that Council operations are properly governed and controlled, risks are effectively managed and service delivery meets customer need. Where confidence is not possible the service will ensure that the implications and risks are understood to ensure proportionate action is taken. Internal Audit will be responsive to the Council's needs and the risks to which the Council is exposed.

3.2 Internal Audit is not responsible for the control systems it audits. Responsibility for effective internal control rests with the management of the Council. Directors and Service Leads are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services and achieve approved objectives / policy.

3.3 Internal Audit will provide a robust, high quality audit service that delivers honest, evidenced assurance, by:

- **Providing assurance**

There is value in providing assurance to senior managers and Members that the arrangements they put in place are working effectively, and in helping managers to improve the systems and processes for which they are responsible.

- **Balancing independent support and challenge**

Avoiding a tone which blames, but being resolute in challenging for the wider benefit of the Council and residents.

- **Focusing on what is important**

Deploying its resources where there is most value aligned to the corporate objectives and priorities, the processes to facilitate these and the key risks to their achievement, whilst ensuring sufficient assurance to support the Annual Governance Statement.

- **Being flexible and responsive to the needs of the Council**

The Annual Plan will be reviewed quarterly enabling Audit resources to be redeployed as new risks emerge, with the agreement of senior management and the board.

- **Being outward looking and forward focused**

The service will be aware of national and local developments and their potential impact on the Council's governance, risk management and control arrangements. The Chief Internal Auditor leads on the internal audit provision for five local authorities, thereby providing opportunities to share good practice, lessons learned and emerging risks.

- **Having impact**

Delivering work which has support from management and leads to sustained change.

- **Strengthening the governance of the Council**

Being ambassadors for, and encouraging the Council towards, best practice in order to maximise the chances of achieving its objectives, including the provision of consultancy and advice.

- **Enjoying a positive relationship with, and being welcomed, by the 'top table'**

Identifying and sharing organisational issues and themes that are recognised and taken on board. Working constructively with management to support new developments.

- 3.4 The Internal Audit Service maintains an ongoing and comprehensive understanding of:
- Local government / public sector issues;
 - The Council and its community; and
 - Professional Audit and Corporate Governance standards.
- 3.5 All staff within the Internal Audit service hold a relevant professional qualification, part qualification or are actively studying towards a relevant qualification. All participate in continuing professional development, both in relation to specific audit skills e.g. contract audit, and softer skills e.g. communication skills.
- 3.6 The mandatory core principles for the Professional Practice of Internal Auditing underpin the way in which the service is delivered and are embedded in ways of working, as detailed in this Charter. The principles ensure Internal Audit:
- Demonstrates integrity;
 - Demonstrates competence and due professional care;
 - Is objective and free from undue influence (independent);
 - Aligns with the strategies, objectives, and risks of the organisation;
 - Is appropriately positioned and adequately resourced;
 - Demonstrates quality and continuous improvement;
 - Communicates effectively;
 - Provides risk-based assurance;
 - Is insightful, proactive, and future-focused; and
 - Promotes organisational improvement.

4 Authority

- 4.1 In accordance with the PSIAS, the Chief Internal Auditor has full responsibility for the operation and delivery of the Internal Audit function including the production and execution of the audit plan and subsequent audit activities. The annual audit plan will be agreed in consultation with relevant officers, the Audit & Standards Committee, and the senior management team.
- 4.2 Internal Audit's remit extends across the entire control environment of the Council.
- 4.3 Internal Audit has unrestricted access to all Council and partner records and information (whether manual or computerised systems), officers, cash, stores and other property, it considers necessary to fulfil its responsibilities. Internal Audit may enter Council property and has unrestricted access to all locations and officers without prior notice if necessary.
- 4.4 All Council contracts and partnerships should contain similar provision for Internal Audit to access records pertaining to the Council's business held by contractors or partners.
- 4.5 All Council employees are required to assist the Internal Audit service in fulfilling its roles and responsibilities.
- 4.6 The Audit & Standards Committee (as the Board) shall be informed of any restriction unduly placed on the scope of Internal Audit's activities which in the opinion of the Chief Internal Auditor prevents the proper discharge of Internal Audit functions.
- 4.7 The Chief Internal Auditor and individual audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.
- 4.8 To provide for independence, the day to day management of the Internal Audit Service is undertaken by the Chief Internal Auditor who reports to the Audit & Standards Committee. This accords with the Public Sector Internal Audit Standards which requires the Chief Internal Auditor to report to the very top of the organisation.
- 4.9 The Chief Internal Auditor has direct and unrestricted access to the Council's Chief Executive, Section 151 Officer, Directors, External Auditor and Audit & Standards Committee at their discretion, including private meetings with the Chair of the Audit & Standards Committee.

5 Ethics, independence & Objectivity

- 5.1 Independence is essential to the effectiveness of the Internal Audit service; as such, it will remain free from interference in all regards. This shall include, but not be limited to, matters of audit selection, scope, procedure, frequency, timing or report content.
- 5.2 Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. They will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 5.3 The Internal Audit service supports on corporate counter fraud activity for the Council. Internal Audit would often be best placed to lead on investigating whistleblowing referrals relating to fraud and corruption or financial impropriety.
- 5.4 In addition to the ethical requirements of the various professional bodies, each auditor is required to sign an annual declaration of interest to ensure that the allocation of audit work avoids conflict of interest and declare any potential conflict of interest on allocation of an audit. Any potential impairments to independence or objectivity will be declared prior to accepting any work and managed by the Chief Internal Auditor.
- 5.5 Internal Auditors also sign acceptance of the Internal Auditor's Code of Ethics on an annual basis.
- 5.6 Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, 'approve' procedures, install systems, prepare records, or engage in any other activity that may impair the Internal Auditor's judgment. Where auditors have previously been involved in any of these activities or consultancy work they will be prohibited from auditing those areas for at least two years. Where appropriate, audits are rotated within the team to avoid over-familiarity and complacency.
- 5.7 The Chief Internal Auditor will confirm to the Audit & Standards Committee, at least annually, the organisational independence of the Internal Audit service.

6 How the service will be delivered

Audit Planning

6.1 The audit plan guides the work of the service during the year. The planning principles are:

- Focusing assurance work on the most important issues, the key obligations, outcomes and objectives, critical business processes and projects, and principal risks; pitching coverage therefore at both strategic and key operational aspects;
- Maintaining up to date awareness of the impact of the external and internal environment on control arrangements;
- Using a risk assessment methodology to determine priorities for audit coverage based as far as possible on management's view of risk in conjunction with other intelligence sources e.g. corporate risk register;
- Taking account of dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, but recognising in a resource constrained environment there will be situations when not all needs can be met which is where risk management is key;
- Being flexible so that the plan evolves through the year in response to emerging risks and issues;
- Providing for the delivery of key commitments, such as any work that can be delivered in support of the external auditor thus reducing the external audit fee, and to deliver governance and counter fraud responsibilities; and
- Including provision for responding to requests for assistance with special investigations, consultancy and other forms of advice.

6.2 The number of available audit days to the Internal Audit Service will be reviewed to be sufficient to enable the audit service to deliver the risk based plan in accordance with professional standards.

6.3 In order to deliver the annual Audit Plan at the required quality and professionalism, Internal Audit strive to ensure that the team has the required mix of skills and experience. The use of external experts e.g. IT auditors compared to employing or developing these expensive resources in house is constantly under review to ensure that the service delivers a high quality product at best value for money. Future recruitment will take into account the expertise and skills required to fill any gaps within the current service.

6.4 The breadth of coverage within the plan necessitates a wide range of high quality audit skills. The types of audit work undertaken include:

- Risk based system audit
- Compliance audit
- IT audit
- Data protection audit
- Procurement and contract management audit
- Project and programme audits
- Fraud/investigation work
- Consultancy and advice

6.5 Internal Audit may procure external audit resource to enhance the service provision, as necessary.

Internal Audit Annual Opinion

6.6 Each year the Chief Internal Auditor will provide a publicly reported opinion on the effectiveness of governance, risk and control, which also informs the Annual Governance Statement. This will be supported by reliable and relevant evidence gathered through all work undertaken by Internal Audit during the year and any other sources of assurance that the Chief Internal Auditor can place reliance upon.

Conduct of work

6.7 The principles of how the Internal Audit work is conducted are:

- Focusing on what is important to the Council and in the ultimate interests of the public;
- Ensuring that risks identified in planning are followed through into audit work;
- Agreeing the scope, objectives and any limitations of audit coverage at the outset of every assignment, which will be documented in an audit planning record. This record will be approved by the relevant Director, and will set out the risks which will be covered within the audit fieldwork;
- Ensuring that the right skills and suitable approaches are in place for individual assignments;
- Applying an informed, unbiased approach to sample selection and audit testing;
- Striving continuously to foster buy-in and engagement with the audit process;
- Ensuring findings and facts reported are accurate and informed by a wide evidence base, including requesting information from other stakeholders, where appropriate;
- Informing management of key findings at the earliest, appropriate opportunity;
- Suggesting actions to address findings which are pragmatic and proportionate to risk, tailored for the best result and taking into account the culture, constraints and the cost of controls;
- Focusing, as a rule, on ensuring compliance with existing/expected processes and systems and reducing bureaucracy rather than introducing additional, unnecessary layers of control;
- Being resolute in challenging; taking account of views, escalating issues and holding position when appropriate;
- Driving the audit process by agreeing, and delivering to, deadlines and escalating non-response promptly in order to complete assignments; and
- Maintaining high standards of behaviour at all times and operating in line with the Council's Code of Conduct and Equality and Diversity policies.

Reporting

6.8 The reports produced by the service are its key output. The reporting principles are:

- Providing balanced evidence-based reports which recognise both good practice and areas of weakness;
- Reporting in a timely, clear and professional manner;
- Ensuring that reports clearly set out assurance opinions on the objectives/risks identified in planning work;
- Always seeking management's response to reports so that the final report includes a commitment to action;
- Sharing outcomes with senior management and Members, identifying key themes and potential future risks so that audit work has impact at the highest levels; and

-
- Sharing learning with the wider organisation with a view to encouraging best practice across the Council.

6.9 A written report will be prepared and issued following the conclusion of each Internal Audit engagement, including follow up audits; unless in the opinion of the Chief Internal Auditor a written report is unnecessary.

6.10 Each report will:

- provide an evidenced opinion on the adequacy of the governance, risk and control processes;
- identify inadequately addressed risks and non-effective control processes;
- detail agreed actions including explanation for any corrective action that will not be implemented;
- provide management's response and timescale for corrective action;
- provide management's explanations for any risks that will not be addressed; and
- Identify individuals responsible for implementing agreed actions.

6.11 Each draft audit report will be issued to the lead officer and Service Lead for initial comments, responses to recommendations and agreement of accuracy. A final draft will be issued to the Director for agreement and sign off. Alternative reporting arrangements can be agreed to incorporate specific officers and/or additional senior management leads, as appropriate, where agreed in the scoping of the audit and audit planning record.

6.12 Senior Management shall ensure that agreed corrective actions are introduced.

6.13 Periodic summary reports are issued to the Audit & Standards Committee. In consultation with the Audit & Standards Committee Chair, senior management from the respective service area may be invited to attend the Audit & Standards Committee meeting in respect of any reports receiving an opinion of Limited Assurance or below.

6.14 To assist the reader in easily identifying the areas that are well managed and the significance of areas of concern, actions, objectives and overall assurance opinions are categorised using three key elements as summarised below (and set out in detail at Annex A):

- 1) Assess and test the **control environment**;
- 2) Test **compliance** with those control systems; and
- 3) Assess the **organisational impact** of the matters arising.

Actions / Recommendations

6.15 Recommendations made by Internal Audit are categorised dependent on the associated risk. The definitions are as provided in Annex B. For each recommendation made, a management response is sought, and an agreed action plan is finalised within the audit report. This must include owners and dates for implementation.

Follow up

6.16 All actions are followed up in accordance with the agreed action implementation dates. Further follow ups are undertaken as required. Management are asked to provide evidence when a High or Medium category action has been fully implemented.

Quality assurance

6.17 The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- UK Public Sector Internal Audit Standards (PSIAS);
- Professional standards and Code of Ethics required by auditor's respective professional bodies;
- Internal Audit Strategy, Charter and Audit Manual; and
- All relevant legislation.

6.18 The Chief Internal Auditor maintains an appropriate Quality Assurance Framework and reports on this annually. The framework includes:

- An audit manual - documenting ways of working and expected standards
- Staff supervision and review arrangements
- Customer feedback arrangements
- Quality standards and performance measures, including:
 - Proportion of audit plan completed
 - Productive/direct time as a % of total time
 - Customer satisfaction levels
- Annual internal review
- Periodic external reviews

6.19 The completion of every assignment shall be monitored against:

- end to end time
- days taken to complete
- time between key audit stages e.g. draft issue to final report issue
- customer satisfaction

6.20 The Audit & Standards Committee, senior management and the Section 151 Officer receive regular updates on audits completed, the assurance opinions and actions implemented. Weak and limited opinion reports and key actions not implemented are discussed in more detail as appropriate with management, the Section 151 Officer and / or the Audit & Standards Committee.

6.21 Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of its activity. This consists of:

- ongoing performance monitoring;
- an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards (PSIAS);
- an external assessment at least once every five years by a suitably qualified, independent assessor;
- a programme of Continuous Professional Development (CPD) for all staff to ensure that auditors maintain and enhance their knowledge, skills and audit competencies;
- the Chief Internal Auditor holding a professional qualification (current Chief Internal Auditor is a member of CIPFA) and being suitably experienced; and
- encouraging, and where appropriate acting upon, customer feedback.

7 Audit & Standards Committee oversight

- 7.1 The Chief Internal Auditor will provide regular progress reports to the Audit & Standards Committee to advise on the delivery of the audit plan, the outcomes of each Internal Audit engagement, and any significant risk exposures and control issues identified during audit work.
- 7.2 The Chief Internal Auditor will also provide an annual report giving an opinion on the overall adequacy and effectiveness of the control environment which will be timed to support the Council's Annual Governance Statement. In addition, the Audit & Standards Committee will:
- approve any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken;
 - approve, but not direct, changes to the audit plan;
 - be informed of results from the quality assurance and improvement programme; and
 - be informed of any instances of non-conformance with the Public Sector Internal Audit Standards.

8 Counter fraud and associated issues

- 8.1 The Chief Internal Auditor will ensure that all work is undertaken in accordance with, and all staff are conversant with, the Council's Counter Fraud policies and culture, including:
- Counter Fraud and Corruption strategy
 - Bribery Act policy
 - Whistleblowing policy
 - Anti-Money Laundering Policy
- 8.2 All Internal Audit staff will be alert to the possibility of fraud during assignments, but auditors are not responsible for identifying fraud.

Annex A

Internal control assessment

Control Environment Assurance	
Level	Definitions
Substantial	There is a sound system of internal control to support delivery of the objectives.
Good	There is generally a sound system of internal control, with some gaps which pose a low risk to delivery of the objectives.
Moderate	There are gaps in the internal control framework which pose a medium risk to delivery of the objectives.
Limited	There are gaps in the internal control framework which pose a high risk to delivery of the objectives.
No	Internal Audit is unable to provide any assurance that a suitable internal control framework has been designed.

Compliance Assurance	
Level	Definitions
Substantial	The control environment is operating as intended with no exceptions noted which pose risk to delivery of the objectives.
Good	The control environment is generally operating as intended with some exceptions which pose a low risk to delivery of the objectives.
Moderate	Controls are not consistently operating as intended, which poses a medium risk to the delivery of the objectives.
Limited	Key controls are not consistently operating as intended, which poses a high risk to the delivery of the objectives.
No	Internal Audit is unable to provide any assurance that controls have been effectively applied in practice.

Organisational Impact	
Level	Definitions
High	The weaknesses identified during the review have left the Council open to a high level of risk. If the risk materialises it would have a high impact upon the organisation as a whole.
Medium	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a medium impact upon the organisation as a whole.
Low	The weaknesses identified during the review have left the Council open to low risk. This may have a low impact on the organisation as a whole.

Audit recommendation categories

Category	Definition
High	Requires actions to avoid exposure to substantial risks in achieving objectives for the area.
Medium	Requires actions to avoid exposure to significant risks in achieving objectives for the area.
Low	Action recommended to enhance control or improve operational efficiency.

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Audit and Standards

28 March 2023

Report of: Pranali Parikh, Director for Growth and Regeneration

Audit considerations for UKSPF, LUF and ADP projects

Corporate Priority:	Delivering sustainable and inclusive growth in Melton
Relevant Ward Member(s):	All
Date of consultation with Ward Member(s):	n/a
Exempt Information:	No

1 Summary

- 1.1 The Chair of the Audit & Standards Committee has requested that a report be submitted to the March audit and standards committee setting out an overview of the project lifecycle in respect of the key strategic regeneration projects being delivered by external grants funding such as UK Shared Prosperity Fund (UKSPF), Levelling Up Fund (LUF) and Business Rate Pool (BRP) funding to support the Asset Development Programme (ADP).
- 1.2 This report outlines how audit assurance will be managed for these projects. It sets a scene for the audit plan for 2023/24 by identifying key risks so the audit provision that is being made is focussed in the right areas. The report also identifies the role of the scrutiny committee in shaping these projects.
- 1.3 Internal audit arrangements are proposed for each of these projects based on the risks involved and organisational impact on materialisation of those risks.

2 Recommendation(s)

That Committee:

- 2.1 Note and provide comments (as appropriate) on the proposed arrangements for audit assurance and the potential future involvement of the internal audit team for the key strategic regeneration projects funded through external grant funding.

3 Reason for Recommendations

- 3.1 'Delivering sustainable and inclusive growth in Melton' and 'Ensuring the right conditions to support delivery' are identified as key priorities in the Council's Corporate Strategy 2020-2024.
- 3.2 The interventions delivered through these external grant-funded projects will help develop the Council's assets, generate income and reduce expenditure as well as regenerate the town centre, create a destination offer within the town, encourage inward investment, and create additional jobs in key economic sectors such as tourism and food production.
- 3.3 While the benefits delivered through these projects will have a high level of positive impact on the Council, town centre as well as the economy of the Borough, the negative impact of non-delivery and non-compliance could potentially be very high as well. Therefore, it is important to ensure good level of assurance at all stages of these projects with direct oversight of members and specifically the Audit and Standards Committee.

4 Background

- 4.1 The Council has been successful in the past four years in receiving external grants funding to deliver the key corporate priority of delivering sustainable growth in Melton.
- 4.2 The projects funded through such grants include:
- UK Shared Prosperity Fund (UKSPF) to deliver a range of projects to support the business and communities - £1.19m
 - Levelling Up Fund (LUF) for the delivery of the Stockyard - £11.85m (£10.1m LUF grant)
 - Delivery of the Asset Development Programme (ADP) - £0.875m (£0.5m Business Rates Pool)
- 4.3 The Council is legally bound to ensure these projects are delivered in compliance with the grant conditions and are subject to audit and monitoring procedures of the funding bodies.
- 4.4 It is important for the Council to ensure these projects and programmes are delivered in accordance with the Council's internal policies and procedures and the internal audit team will play a key role in supporting the project teams in managing the risks.
- 4.5 It is to note that these grants will be subject to external audit from the funding bodies to ensure compliance with grant conditions which will need to align with any internal arrangements.
- 4.6 All these projects are being delivered as per the Council's project management toolkit with oversight of the senior leadership team. The Scrutiny Committee has had an ongoing role in shaping these projects so far and will continue to monitor the progress and provide steer for future direction of these projects.
- 4.7 The delivery of these projects involves external stakeholders and partners who have a role in influencing them, but the Council and the Cabinet remain the decision making body for all actions.
- 4.8 These projects are aligned with the Corporate Strategy and contribute towards key priorities for the Council. They are also complimentary to each other and together they are envisaged to add value to the Council's efforts in supporting the economy and communities of Melton.

5 Main Considerations

5.1 UK Shared Prosperity Fund (UKSPF):

- 5.1.1 Following the successful submission of a UKSPF investment plan MBC received confirmation in December 2022 that it had secured the £1.19m investment and is now able to begin delivery of this plan. The two-year work programme is due to end March 2025. Work has commenced to deliver the projects that are part of the 1st year delivery. The details of investment plan with clear allocation of funding, governance arrangement and risk management are included in the report approved by the Cabinet on the 8th March 2023.
- 5.1.2 The investment plan consists of a detailed action plan identifying over 20 activities across a wide range of services, delivering the Council's shaping places and helping people priorities. Taking into account the considerable amount of work involved in delivering, monitoring, reporting, and evaluating the investment plan, the Council had requested additional funding to ensure sufficient capacity for this work which has been approved. A new post for Assistant Director for Regeneration & UKSPF Delivery is established to create focus and senior level oversight for the delivery of this programme. A vacant project officer post in Regeneration team which was kept vacant until now to achieve a financial saving has now been recruited from the 1st March 2023 to enable additional capacity within the Regeneration team to deliver this ambitious programme.
- 5.1.3 The key risk for this project is delivery of multiple small-scale projects on time and in compliance with grant conditions. Considering the variety of activities, imminent delivery and tight timescales, it is proposed for the internal audit team to be involved in the project from the start to embed the audit work in the project and cover the initiation stage. It is also proposed to undertake two formal reviews – one at the mid-point of the programme towards the end of financial year 2023-24 and another one towards the closure of the project at the end of 2024-25.

5.2 Levelling Up Fund (LUF):

- 5.2.1 In August 2022, Rutland County Council submitted a joint bid on behalf of both Melton Borough Council (MBC) and Rutland County Council (RCC) for £22.95m from the second round of the Levelling Up Fund (LUF). The Department for Levelling Up, Housing & Communities (DLUHC) confirmed in January 2023 the bid had been successful.
- 5.2.2 The bid required a lead authority to formally submit the bid on behalf of all partners. Rutland County Council (RCC) agreed to be the accountable body for the whole bid when it was submitted to the Government in August 2022. This means that Rutland County Council will be required to enter into a Memorandum of Understanding and sign the grant agreement with DLUHC, subject to Rutland County Council's securing the necessary approvals at their Council meeting on 27th March 2023. Concurrently, Melton Borough Council will need to enter into an agreement with Rutland County Council to allow them to transfer appropriate accountability and responsibilities for those projects within Melton. Melton Borough Council will receive £12.158m for the projects to be delivered within the Melton area, including the Stockyard development (£10.1m) and the refurbishment of the theatre by the SMB group college (£2m). The SMB Group will be required to enter an agreement with Melton Borough Council to receive their share of the grant funding and accept the risks associated with it. Details of governance arrangements and associated financial and legal risks are identified in the report approved by the Cabinet on the 8th March 2023.

- 5.2.3 An Assurance framework, with associated Guidance documentation, has been provided by Government to RCC as the accountable body for the programme. This was received on the 14th March 2023. This document is currently being considered by Officers at both Councils. It is expected that elements of this will inform the back-to-back legal agreement this Council signs with RCC to assume the responsibility for Melton's Projects. Legal expertise will be sought to better understand this framework and ascertain any risks associated with it before any back-to-back agreement is signed.
- 5.2.4 MBC and RCC share an internal audit provider. This will support both organisations to ensuring that the audit processes and procedures in place not only adhere to best practice in terms of both organisations requirements but also meet the relevant requirements as set out in the Governments Assurance framework. Audit have sight of the assurance framework that has been sent through to RCC which will enable them to provide guidance and support throughout programme delivery.
- 5.2.5 Currently the project costs and timescales for delivery are being reviewed to enable the Council to advise the Government of the most updated details, taking into account the changes in external factors such as economy, market condition, construction costs etc. It is proposed to keep monitoring this throughout the duration of the project and any changes are proposed to be reported through the agreed mechanism via RCC. The current timescales for delivery of the spend is by the end of March 2025 subject to amendments to the delivery programme agreed with the DLUHC in advance.
- 5.2.6 The Council will require a variety of skill sets and expertise to deliver the LUF projects. An analysis of all required skills has been undertaken which has identified the current availability of these skills within the Council and also highlighted the need for additional and external resources. To begin with, a capital project manager will be appointed to drive the delivery of this project with implementation on ground. This will be funded through the grants funding.

5.3 **Asset Development Programme (ADP)**

- 5.3.1 The Council approved the first phase of the Asset Development Programme (ADP) in January 2021 which seeks to maximise the value of the Council's assets, generating additional revenue or capital income, whilst also creating jobs, building homes, and strengthening community facilities. The Cabinet has considered and approved further details of the programme in relation to the development of Parkside, Phoenix House and the Cove Community Centre. The Scrutiny Committee has been involved in shaping the projects by attending participatory workshops and providing steer in relation to the direction of travel.
- 5.3.2 The key objectives of this programme include effective utilisation of assets, generation of revenue benefit or capital receipt and supporting economic growth and town centre vitality. The key risks for the Council in delivering this project are,
- managing communication and expectations from a range of stakeholders;
 - managing the scope of works with a clear focus on meeting the objectives; and
 - delivery of works in compliance with grants conditions as well as financial and contracts procedure rules.
- 5.3.3 This work involves development of Council owned assets with direct involvement and significant level of investment by the Council. The Council is reliant on its success to

achieve financial sustainability going forward. Due to these reasons, it is important that the Council delivers these works imminently in order to achieve the benefits.

- 5.3.4 This programme so far has been managed internally by the Corporate Property and Assets team. Based on the nature of works involved in future phases, further external expertise will be sought to help manage and deliver works on ground. Where possible, costs for additional resources are built into the forecast costs of works and the amount that may need to be borrowed by the Council. The key gap in existing skill sets include dedicated capital project management and construction project management capability to deliver large scale works. Managing this work alongside the day-to-day operation of the service is likely to create capacity issues. To overcome these challenges, a dedicated project manager with relevant skills will be appointed for future phases of works following further cabinet approvals in Summer 2023.
- 5.3.5 The project management audit undertaken in February 2022 included the Asset Development Programme concluding substantial level of assurance for control environment with good compliance. While this result was reassuring, considering the high organisational impact of this project, it is proposed for internal audit to review the works during Q4 of 2023-24 and provide assurance for achieving the objectives set by the Council.

6 Options Considered

- 6.1 Not having audit assurance for the projects is not considered an option for the reasons discussed in this report.

7 Consultation

- 7.1 Details of consultation for individual projects are included in the cabinet reports attached in appendices.

8 Next Steps – Implementation and Communication

- 8.1 Agree the inclusion of works in the audit plan for the next two years and continue the work to implement projects in accordance with their approved programmes.

9 Financial Implications

- 9.1 Costs of the audit assignments are covered within the existing audit plan.

Financial Implications reviewed by: Director for Corporate Services

10 Legal and Governance Implications

- 10.1 Section 1 of the localism act 2011 gives the council the power to do anything that individuals may generally do and section 111 of the local government act 1972 gives a local authority power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.
- 10.2 The review via internal audit will help support the governance arrangements relating to the ongoing compliance of grant conditions and delivery of projects in relation to LUF, UKSPF and ADP.
- 10.3 **Levelling Up Fund** - Subject to Rutland County Council's approval on 27 March 2023, RCC will be the accountable body and will be required to agree and sign the Memorandum of Understanding and grant agreement in accordance with the terms and conditions. A separate back-to-back contractual agreement will then be signed by Melton

Borough Council in order to take on the responsibilities with regards to Melton Borough Council's portion of the bid. This agreement will set out the terms of the grant and the conditions for spending, including timescales and conditions for recovering funds that are not spent. Funds will need to be spent in accordance with the bid and any funding agreement. The council will be expected to provide evidence to demonstrate how the funding has been spent along with complying with the monitoring and assurances process through the LUF Executive Board.

- 10.4 **UKSPF** – Grant funding agreements will be required for all grants given by the Council via the UKSPF to both community groups and businesses.
- 10.5 **ADP** – advice is currently being provided in-house on all property work arising from this project.
- 10.6 Appropriate governance arrangements for the delivery of the levelling up projects will need to be established to align to government guidance and the Council's decision-making arrangements as set out in the Constitution.
- 10.7 Works, goods, and services must be procured in accordance with the Council's contract procedure rules.
- 10.8 Subsidy control advice has been sought to ensure the aspects of this bid are compliant with recent subsidy control guidelines.
- 10.9 Legal Services will be engaged at the earliest opportunity to review all agreements to ensure there is clarity on obligations and conditions placed upon the grant to minimise any risks to the Council.
- 10.10 Due to the complexity of some of the projects, external legal advice will be sought where applicable.

Legal Implications reviewed by: Monitoring Officer

11 Equality and Safeguarding Implications

- 11.1 Equalities and safeguarding impacts are a key consideration within delivery of each of the projects.

12 Community Safety Implications

- 12.1 NA

13 Environmental and Climate Change Implications

- 13.1 NA

14 Other Implications (where significant)

- 14.1 NA

15 Risk & Mitigation

Risk No	Risk Description	Likelihood	Impact	Risk
1	Over reliance on Audit function to pick up all assurance related risks creates potential for oversight during project delivery	Significant	Critical	Medium Risk

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

Risk No	Mitigation
1	Management understand role of audit and accept responsibility as risk owners for project delivery

16 Background Papers

- 16.1 UKSPF update report to Cabinet – 8th March 2023 [Committee](#)
- 16.2 LUF update report to Cabinet – 8th March 2023 [Committee](#)
- 16.3 ADP update report to Cabinet – 8th February 2023 [Committee](#)

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