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# Agenda

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| **Meeting name** | **Meeting of the Audit and Standards Committee** |
| **Date** | **Tuesday, 16 January 2024** |
| **Start time** | **6.30 pm** |
| **Venue** | **Parkside, Station Approach, Burton Street, Melton Mowbray, Leicestershire LE13 1GH** |
| **Other information** | **This meeting is open to the public** |

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

**Edd de Coverly**
**Chief Executive**

## Membership

**Councillors**

L. Higgins (Chair)
J. Adcock
M. Brown
M. Graham MBE
S. Orson
J. Mason (Vice-Chair)
I. Atherton
S. Carter
S. Lumley
T. Webster

**Quorum:** 5 Councillors

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| **Meeting enquiries** | Democratic Services |
| **Email** | democracy@melton.gov.uk |
| **Agenda despatched** | Monday, 8 January 2024 |

| No. | Item | Page No. |
|---|---|---|
| 1. | **APOLOGIES FOR ABSENCE** | |
| 2. | **MINUTES**<br>To confirm the minutes of the meeting held on 28 November 2023. | 1 - 8 |
| 3. | **DECLARATIONS OF INTEREST**<br>Members to declare any interest as appropriate, in respect of items to be considered at this meeting. | 9 - 10 |
| 4. | **INTERNAL AUDIT PROGRESS REPORT**<br>The Chief Internal Auditor to submit a report updating Members on the delivery of the 2023/24 Internal Audit Plan. | 11 - 32 |
| 5. | **COUNTER FRAUD UPDATE**<br>The Chief Internal Auditor to submit a report providing Members with an update on the Council's counter fraud activity. | 33 - 36 |
| 6. | **URGENT BUSINESS**<br>To consider any other items that the Chair considers urgent. | |

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# Minutes

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|---|---|
| **Meeting name** | **Audit and Standards Committee** |
| **Date** | **Tuesday, 28 November 2023** |
| **Start time** | **6.30 pm** |
| **Venue** | **Parkside, Station Approach, Burton Street, Melton Mowbray, Leicestershire LE13 1GH** |

**Present:**

**Councillors**

J. Mason (Vice-Chair)
I. Atherton
M. Graham MBE
T. Webster
J. Adcock
M. Brown
S. Orson
A. Thwaites (Substitute)

**Officers**

Director for Corporate Services
Interim Assistant Director for Governance & Democracy
Chief Internal Auditor
Democratic Services Officer (CB)
Democratic Services Officer (CR)

External Auditor (HC)
External Auditor (SM)

| Minute No. | Minute |
|---|---|
| 15 | **Apologies for Absence**<br>Apologies for absence were received from Councillors Steven Carter, Leigh Higgins and Simon Lumley.<br><br>Councillor Allen Thwaites substituted for Councillor Lumley. |
| 16 | **Minutes**<br>The Minutes of the meeting held on 26 September 2023 were approved. |
| 17 | **Declarations of Interest**<br><u>Item 5 – Internal Audit Progress Report – Exempt Appendix B: High Priority Actions Overdue for More than Three Months</u><br><br>Councillor Ian Atherton highlighted the nature of his employment and confirmed that he had no direct involvement with the issue detailed in exempt appendix B. |
| 18 | **2020/21 External Audit Status Report**<br>Hayley Clark, External Auditor introduced the report, the purpose of which was to summarise work performed and conclusions reached to date for the Council's financial statements for 2020/21.<br><br>Ms. Clark confirmed that audit procedures were well progressed. External Audit continued to work through quality review procedures as well as general procedures on the review of the updated financial statements, with the aim of submitting a further report to Committee with its formal and final audit results in the New Year.<br><br>Ms Clark provided a brief analysis of the risks (fraud, significant, other) detailed in Section 2 of the report:<br><u>Fraud Risk</u><br>• Misstatements Due to Fraud and Error. External Audit considered this risk on all their audits and there were no matters to report to Committee.<br>• Risk of Fraud in Revenue Recognition. External Audit considered this risk on all their audits and there were no matters to report to Committee.<br>• Risk of Fraud in Revenue and Expenditure. There were no matters to report to Committee.<br><u>Significant Risk</u><br>• Valuation of Property, Plant and Equipment (Land and Buildings and Investment Properties. This was elevated to a 'significant risk' due to a change in the Council's valuation specialist. There were no matters to report to Committee.<br><u>Other Risk</u><br>• Pension Valuation – Local Government Pension Scheme (LGPS). This represented a heightened focus but not a significant risk. As this audit was still in progress External Audit was required to consider any impact on the Council's financial statements. This audit would be completed as soon as possible. |

- Going concern - there were some changes to the auditing standards that required External Audit to undertake more work on this.

Suyash Maharaj, External Auditor provided an overview of the Audit Differences, detailed at Section 4 of the report:

- Five misstatements had been identified, two by senior management (change in pension figures/disclosures and tax income guarantee accrual reversal) and three by External Audit (capital adjustment account disclosure, officers' remuneration disclosures and provision disclosure). These had been corrected and reflected in the current version of the financial statements.
- Two misstatements had been identified by External Audit. Disclosure relating to pensions benefits paid for 2020/21 had not yet been corrected by senior management. Disclosure relating to the New Burdens Grant had been corrected by senior management. However, External Audit had retained this misstatement on the uncorrected schedule, in order to review the final financial statements and verify the correction.
- There were two uncorrected misstatements from the prior period financial statements, which had a turnaround impact on 2020/21. The net impact of the misstatements was £1,826.

During discussion the following points were noted:

- External Audit confirmed that the term 'misstatements' in their report referred to identifying an error or an adjustment made to the figures, as they appeared in the Council's financial statements and there was no concern about a broader risk of error across the financial statements.
- External Audit explained that the disclaimer in their report, advising that it was *'intended solely for the information and use of the Audit and Standards Committee, other members of the Council and senior management. It was not intended to be and should not be used by anyone other than these specified parties'*, was included in all their reports to ensure that External Audit would not be accountable if those outside the people specified relied on the information within the report.
- External Audit advised that the outstanding actions detailed at Appendix B – Outstanding Matters were being progressed and would be completed as soon as possible. They were aware of the need to prioritise audit procedures and had a focus on completing outstanding audits by redirecting resources and capacity. It was anticipated that a further report would be submitted to the Committee in January or March 2024.
- External Audit confirmed they were working towards a deadline of the 31 March 2024 to sign off the Council's accounts.
- The Committee thanked External Audit for the update they had provided.

**RESOLVED** that the Committee **NOTED** the work performed and conclusions reached by External Audit for the Council's financial statements for 2020/21 to date.

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| 19 | **Internal Audit Progress Report**<br>Rachel Ashley-Caunt, Chief Internal Auditor introduced the report, the purpose of which was to update Members on progress made by Internal Audit on plan delivery |

and outcome of assignments.

The Chair highlighted that appendix B was exempt and that any discussion on this appendix would need to take place in private session.

Ms Ashley-Caunt drew Members attention to appendix 1 of appendix A (Internal Audit Plan), which detailed a list of audits due to be delivered this year and their current status. 2 audits had been finalised (Housing Voids Management and Landlord Health and Safety). A number of other audits were progressing to the latest stage of the process and would be reported to the Committee at its next meeting on 16 January 2024:

- Housing Voids Management – Internal Audit were satisfied that the Council had controls and a well embedded framework in place. There were a number of areas highlighted for potential improvements to policies and the processes being applied (around the use of data to manage and report performance, the pre-termination process etc). A moderate assurance opinion over the control environment, a good assurance opinion over compliance and a low organisational risk had been issued.
- Landlord Health and Safety – This was reviewed regularly and covered key areas such as gas safety inspections, electrical installations, asbestos reports, passenger lift servicing, smoke detection and carbon monoxide. Some properties were not currently compliant but were known and subject to ongoing work. A good assurance opinion over control and compliance had been issued.

Concerning the implementation of audit recommendations. 26 audit recommendations had been completed and closed and 34 recommendations remained overdue. Of those overdue, four were high priority and over three months overdue:

- Effectiveness of Case Management Arrangements 2019/20
- Housing Repairs 202.21
- Business Continuity Management 2022/23.
- Exempt Recommendation (appendix B)

These were detailed at appendix 3 of appendix a and appendix B. Further progress would be reported to Member at the next Committee meeting.

Appendix 4 detailed the customer satisfaction results for Internal Audit's delivery of Audits, showing all as either good or outstanding to date.

Ms Ashley-Caunt concluded by assuring the Committee that good progress was being made on delivery of the Audit Plan for completion by the end of March.

During discussion the following points were noted:

- Members thanked Ms Ashley-Caunt for her work.
- Dawn Garton, Director for Corporate Services advised that there were no concerns over the contract for the Leicestershire Resilience Forum (for Business continuity support), other than the delay in being able to action the recommendation to fully complete the Plans. Proposals and agreements for the support role were relatively new but arrangements were progressing.
- Members noted the improvement in the average void re-let times from 149 days to 54 days.
- Mrs Garton advised that a Performance report would be submitted to

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| | Cabinet on 13 December, which would provide information on housing voids management targets etc.<br>• Ms Ashley Caunt confirmed that some of the Housing Voids Management policies reviewed by Internal Audit were in draft. Internal Audit would like these policies to be approved and there to be operating procedures aligning with those policies in place. Members suggested revisiting this to ensure the policies and operating procedures were formally in place and Ms Ashley-Caunt highlighted that the Committee could prioritise this as an area to revisit when considering the Audit Plan 2024/25 (item 8 on the agenda).<br><br>**RESOLVED** that the Committee **NOTED** the progress made by Internal Audit in delivery of the Internal Audit Plan for 2023/24 and the outcomes of the finalised audit reviews. |
| 20 | **Counter Fraud Policy**<br>Rachel Ashley-Caunt, Chief Internal Auditor introduced the report, the purpose of which was to provide the Committee with a new Counter Fraud and Corruption Policy for review and approval.<br><br>Ms Ashley-Caunt highlighted that the new Policy was based on the latest national guidance, CIPFA guidance and Fighting Fraud and Corruption Locally guidance. It detailed:<br>• Embedding a culture of zero tolerance within the Council, how to best use resources to detect and prevent fraud and how to respond if concerns are raised.<br>• Formalising good practices already in place, documenting these and making ensuring clear communication of the counter fraud strategic approach.<br>• Section 1.3 (Fraud Risks) had been added to alert to the types of risks the Council may encounter, which informed the Council's risk management approach.<br>• The Council was part of the National Fraud Initiative, which was run by the Cabinet Office and undertook additional proactive work (social housing fraud, data matching etc).<br><br>Ms Ashley-Caunt confirmed that the Council had participated in Fraud Awareness Week during November and had held an ethical governance session with all staff. Should the Policy be approved, all staff would receive Fraud Awareness training.<br><br>During discussion the following points were noted:<br><br>• Ms Ashley-Caunt confirmed that she and her Counter Fraud Team covered a number of local authorities. She had much experience of fraud investigations across various organisations and this was one of her areas of interest. This knowledge and experience was shared with the Council's Senior Management Team and staff during training sessions'.<br>• Internal Audit were registered to receive 'fraud alerts' and these alerts were shared with the Council when relevant.<br>• There was discussion on whether the objective and outcome at section 1.2 of the Policy was appropriate. Members commented that 'and maintain that level' was not necessary, as no target had been set for the reduction of fraud and corruption. Ms Ashley-Caunt commented that the aim was to reduce fraud and corruption as much as possible and to ensure the level achieved |

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| | did not increase.<br>• It was proposed to amend the objective and outcome 'reduce fraud and corruption losses within the Council to an absolute minimum and maintain that level' to read 'reduce fraud and corruption losses within the Council to an absolute minimum'.<br>• Members requested that documents containing indexes such as this Policy also have page numbers added for ease of reference.<br>• There was discussion on the mediums in place for staff and the public to report fraud. The advantages and disadvantages of central and named email accounts were considered.<br>• Central email accounts were independent of the Council. They were used at all local authorities covered by Internal Audit and were found to be working well, with a number of referrals received (particularly on council tax and business rates).<br>• Members were assured that Customer Services staff knew how to deal with in person or telephone referrals (i.e. by emailing the central email address).<br>• Staff were able to raise concerns with managers if they wished to do so. Managers would then email the central email address.<br>• It was noted that the Whistleblowing Policy named officers who staff could raise concerns with.<br><br>Members voted unanimously to amend the objective and outcome stated at section 1.2 of the Policy, to read 'reduce fraud and corruption losses within the Council to an absolute minimum'.<br><br>**RESOLVED** that the Committee **APPROVE** the Counter Fraud and Corruption Policy, as amended. |
| 21 | **Anti Money Laundering Policy**<br>Rachel Ashley-Caunt, Chief Internal Auditor introduced the report, the purpose of which was to provide the Committee with a new Anti-Money Laundering Policy and Guidance for review and approval.<br><br>Ms Ashley-Caunt advised that the new Policy was very much based on legislation and aligned with regulation (i.e. reducing the use of cash). It was both technical and complex in nature and as such, the aim was to draft a usable document. To assist this, a guidance note and disclosure templates had been included. Ms Ashley-Caunt highlighted that reporting arrangements were in place for any concerns raised.<br><br>During discussion the following points were noted:<br><br>• Ms Ashley-Caunt clarified that the date of birth requirement referenced in appendix 2 of appendix A (Money Laundering Reporting Officer disclosure form) was based on the referral form which Internal Audit were required to complete for the National Crime Agency. The Agency used this information to inform any intelligence gathering.<br>• The heading at paragraph 7.1 of appendix A should be amended to read 'Money Laundering Reporting Officer' and the acronym 'MLRO'should follow.<br><br>**RESOLVED** that the Committee **APPROVE** the Anti Money Laundering Policy and |

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| | Guidance. |
| 22 | **Internal Audit Plan Development for 2024/25**<br>Rachel Ashley-Caunt, Chief Internal Auditor introduced the report, the purpose of which was to provide an overview of the proposed Audit Planning process for 2023/24 and consult Members on risk areas for consideration in the development of the Audit Plan.<br><br>Ms Ashley-Caunt confirmed that the Internal Audit Plan 2024/25 would be submitted to this Committee for approval in March next year. In development of the Plan, Internal Audit would review the Council's Risk Registers, consult with Senior Management Team on risk areas within their services and consult with Members of this Committee, inviting suggestions for possible audits to undertake (suggestions to be received by 31 January 2024). Suggestion would be risk assessed along with all other areas identified for audit to determine where best value can be added.<br><br>During discussion the following points were noted:<br><br>• Members thanked Ms Ashley-Caunt for her report.<br>• Members proposed a follow up audit on housing voids. Ms Ashley-Caunt confirmed that she would include this in the audit planning process and discussion with Senior Management Team, commenting that the 2023/24 audit of housing voids was specific to this area. It may be that a wider review, focussing on housing voids as well as other areas for assurance would add best value.<br>• Ms Ashley-Caunt advised Members to submit their suggestions via email direct to her, to the Director for Corporate Services or to Councillors Higgins or Mason (Chair and Vice Chair of this Committee).<br><br>**RESOLVED** that the Committee<br><br>1) **NOTED** the proposed approach to developing the Audit Plan for 2024/25;<br><br>2) **HIGHLIGHTED** any risk areas where the Committee required assurance during the year ahead to the Chief Internal Auditor by 31 January 2024. |
| 23 | **Regulation of Investigatory Powers Act (RIPA) Update 2022-23**<br>Alison McKane, Monitoring Officer introduced the report, the purpose of which was to update Members in relation to the Council's use of powers under the Regulation of Investigatory Powers Act 2000 (RIPA) from April 2022 to March 2023 and seek approval of the updated RIPA Policy<br><br>Mrs McKane advised that the use of covert surveillance was highly regulated and the Council was required to review its RIPA Policy annually. Minor amendments to the Policy were detailed at paragraph 5.13 of the report. RIPA training had been arranged for 9 January 2024, for authorising officers and other relevant officers.<br><br>Mrs McKane drew Members' attention to appendix B (the Council's response letter to the Investigatory Powers Commissioner's Office), which set out responses to the IPCO's request for information. |

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| | During discussion the following points were noted:<br><br>• Members thanked Mrs McKane for her report.<br>• References to 'maximum term of at least 6 months imprisonment' at paragraphs 2.2, 6.2 and 8.1.3 of the report would be reviewed to ensure it reflected the correct authorisation. Members would be advised accordingly outside of this meeting.<br><br>**RESOLVED** that the Committee<br><br>1) **NOTED** the update for the period April 2022 to March 2023;<br><br>2) **APPROVED** the reviewed RIPA Policy, **NOTING** minor proposed changes as detailed in paragraph 5.13 of the report. |
| 24 | **Member Development Group/CRWG - Update Including Review of Constitution - General Update**<br>Alison McKane, Monitoring Officer introduced the report, the purpose of which was to update the Committee on the work undertaken by the Constitution Review Working Group (CRWG) from May 2023 to date and to request Members provide any feedback on the Member Development Program for 2024.<br><br>Mrs McKane drew Members attention to the Group's Work Plan at paragraph 5.1 of the report, which detailed the work undertaken and to the Member Induction Programme at paragraph 5.2 of the report, which detailed the training sessions and the number of Members in attendance. Members were encouraged to provide comments/suggestions for future training/development opportunities for members.<br><br>During discussion the following points were noted:<br><br>• Members thanked Mrs McKane for her report.<br>• Members noted the training offered by the Council, which was of particular use to new Members.<br>• Member Induction Training sessions were well attended. They were undertaken in person and recorded for those unable to attend in person.<br>• There were mandatory training sessions for some committees (i.e Licensing and Planning). Members and substitute Members must have completed the training before sitting on these committees.<br><br>**RESOLVED** that the Committee<br><br>1) **NOTED** the work undertaken by the Constitution Review Working Group;<br><br>2) **NOTED** the information provided in relation to the Member Induction Programme and provide feedback on the Member Development Programme 2024. |
| 25 | **Urgent Business**<br>There was no urgent business. |

The meeting closed at: 7:51

# MEMBER INTERESTS

## Do I have an interest?

### 1 DISCLOSABLE PECUNIARY INTERESTS (DPIs)

A “Disclosable Pecuniary Interest” is any interest described as such in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 and includes an interest of yourself, or of your Spouse/Partner (if you are aware of your Partner's interest) that falls within the following categories: Employment, Trade, Profession, Sponsorship, Contracts, Land/Property, Licences, Tenancies and Securities.

A Disclosable Pecuniary Interest is a Registerable Interest. Failure to register a DPI is a criminal offence so register entries should be kept up-to-date.

### 2 OTHER REGISTERABLE INTERESTS (ORIs)

An “Other Registerable Interest” is a personal interest in any business of your authority which relates to or is likely to affect:

a) any body of which you are in general control or management and to which you are nominated or appointed by your authority; or

b) any body

(i) exercising functions of a public nature

(ii) any body directed to charitable purposes or

(iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

### 3 NON-REGISTRABLE INTERESTS (NRIs)

“Non-Registrable Interests” are those that you are not required to register but need to be disclosed when a matter arises at a meeting which directly relates to your financial interest or wellbeing or a financial interest or wellbeing of a relative or close associate that is not a DPI.

**In each case above, you should make your declaration at the beginning of the meeting or as soon as you become aware. In any other circumstances, where Members require further advice they should contact the Monitoring Officer or Deputy Monitoring Officer in advance of the meeting.**

# Declarations and Participation in Meetings

## 1 DISCLOSABLE PECUNIARY INTERESTS (DPIs)

1.1 Where a matter arises at a meeting which **directly relates** to one of your Disclosable Pecuniary Interests which include both the interests of yourself and your partner then:

a) you must disclose the interest;
b) not participate in any discussion or vote on the matter; and
c) must not remain in the room unless you have been granted a Dispensation.

## 2 OTHER REGISTERABLE INTERESTS (ORIs)

2.1 Where a matter arises at a meeting which **directly relates** to the financial interest or wellbeing of one of your Other Registerable Interests i.e. relating to a body you may be involved in:

a) you must disclose the interest
b) may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter; and
c) must not remain in the room unless you have been granted a Dispensation.

## 3 NON-REGISTRABLE INTERESTS (NRIs)

3.1 Where a matter arises at a meeting, which is not registrable but may become relevant when a particular item arises i.e. interests which relate to you and /or other people you are connected with (e.g. friends, relative or close associates) then:

a) you must disclose the interest;
b) may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter; and
c) must not remain in the room unless you have been granted a Dispensation.

## 4 BIAS

4.1 Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or 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):

a) you should not take part in the decision-making process
b) you should state that your position in this matter prohibits you from taking part
c) you should leave the room.

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**In each case above, you should make your declaration at the beginning of the meeting or as soon as you become aware. In any other circumstances, where Members require further advice they should contact the Monitoring Officer or Deputy Monitoring Officer in advance of the meeting.**

Melton Borough Council

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# Audit and Standards

16th January 2024

# Internal Audit Progress Report

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| **Report Author:** | **Rachel Ashley-Caunt**, Chief Internal Auditor<br>07799 217378<br>rashley-caunt@melton.gov.uk |
| **Chief Officer Responsible:** | **Dawn Garton**, Director of Corporate Services<br>01664 502444<br>dgarton@melton.gov.uk |
| **Lead Member/Relevant Portfolio Holder** | N/A |

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| **Corporate Priority:** | All |
| **Relevant Ward Member(s):** | N/A |
| **Date of consultation with Ward Member(s):** | N/A |
| **Exempt Information:** | Appendix B |

## 1 Summary

1.1 The report provides the Committee with an update on delivery of the 2023/24 Internal Audit plan.

## 2 RECOMMENDATION

That Committee:

1. Notes the progress made by Internal Audit in delivery of the Internal Audit Plan for 2023/24 and the outcomes of the finalised audit reviews.
2. Approves the amendment to the Internal Audit Plan for 2023/24 – to remove the audit of the Asset Development Plan and replace with assurance over procurement compliance.

## 3 Reason for Recommendations

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

## 4 Background

4.1 The Audit and Standards Committee approved the Internal Audit Plan for 2023/24 at the meeting on 28th March 2023.

## 5 Main Considerations

5.1 The progress achieved to date in delivering the 2023/24 Audit Plan is set out in Appendix A.

5.2 At the date of reporting, there are 36 agreed management actions which are overdue for implementation. Further details are provided in Appendix A.

## 6 Options Considered

6.1 The regular reporting on delivery of the Internal Audit plan is a requirement under the Committee's terms of reference and the Public Sector Internal Audit Standards. If the report was not provided, the Committee could not effectively deliver its role in providing oversight of Internal Audit work under the terms of refence and Standards.

6.2 There is an amendment to the Audit Plan proposed, which is detailed within Appendix A. It is proposed that the audit of the Asset Development Plan be postponed to 2024/25 and replaced in the 2023/24 plan with testing on procurement compliance.

## 7 Consultation

7.1 Not applicable.

## 8 Next Steps – Implementation and Communication

8.1 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.

## 9 Financial Implications

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

**Financial Implications reviewed by: Director for Corporate Services**

## 10 Legal and Governance Implications

10.1 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: Interim Assistant Director for Governance & Democracy (Monitoring Officer)**

## 11 Equality and Safeguarding Implications

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

## 12 Data Protection Implications (Mandatory)

12.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no risks/issues to the rights and freedoms of natural persons arising directly from this report.

## 13 Community Safety Implications

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

## 14 Environmental and Climate Change Implications

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

## 15 Other Implications (where significant)

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

## 16 Risk & Mitigation

16.1 The Internal Audit work provides assurance over the adequacy and effectiveness of the Council's internal controls to manage key risks and inform risk management arrangements.

## 17 Background Papers

17.1 28th March 2023 – Internal Audit Plan 2023/24

## 18 Appendices

18.1 Appendix A: Internal Audit Progress Report January 2024

18.2 Appendix B: Overdue audit action [Exempt]

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# Melton Borough Council

# Internal Audit Progress Report

January 2024

## *Introduction*

1.1 The delegated internal audit service for Melton Borough Council has been commissioned to provide 235 audit days to deliver the 2023/24 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 service.

## *Performance*

2.1 **Will the Internal Audit Plan for 2023/24 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 2024.

At the time of reporting, fieldwork is either completed or underway on 67% of assignments from the 2023/24 Internal Audit plan and all remaining assignments are in planning stages. The delivery remains on track for the year.

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?**

To date, three surveys have been completed in respect of 2023/24 audits. Responses are summarised in Appendix 4.

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

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

At the date of reporting, there are 36 agreed management actions which are overdue for implementation. An analysis of the implementation of actions is provided in Appendix 2. There are four actions which were assessed as ‘High’ priority and have been overdue for more than three months – full details are provided in Appendix 3 and Appendix B.

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 audits have been finalised:

**Environmental health**

Environmental health covers a wide range of functions, including the promotion of food hygiene and safety, improvement of housing conditions, dog control, contaminated land, occupational health and safety together with a number of licensing and environmental protection/pollution activities. On 8th March 2023 Cabinet approved the proposal for service leadership collaboration between Harborough District Council and Melton Borough Council for the delivery of Regulatory Services from 1st April 2023.

This audit provides assurance over compliance with expected regulations and policies in the delivery of the environmental health service. This area has been subject to changes in management and has not been subject to specific internal audit coverage in the last five years.

The service's approach to logging environmental health complaints and enforcement cases is not robust. It was not possible to obtain a report of all complaints and enforcement cases as no case management system was in use to capture these records, and, as such, a random sample across the population could not be selected for audit testing in this service area. The Council should implement a formal case management system as this will enhance the department's ability to track, respond to, and report on environmental complaints efficiently.

Audit confirmed the service does not have a service plan and localised standard operational procedures, which are important for consistent and efficient operations, are not documented. There are no specific enforcement policies relating to health and safety, environmental protection or private sector housing conditions and therefore the Corporate Enforcement Policy is applied. Sub delegations of authority within the department are not properly documented and the service is facing resource limitations that are hindering its ability to carry out proactive interventions.

Key areas that are operating well include officers diligently staying informed about regulatory requirements through professional subscriptions and engagement in best practice groups, as well as publishing online, up to date information and contact details on the Council's environmental health services. Additionally, the establishment of a landlord forum to provide information, such as guidance on addressing damp and mould issues, demonstrates a collaborative approach.

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

| Assurance Opinion | |
|---|---|
| **Control environment** | Moderate |
| **Compliance** | Moderate |
| **Organisational impact** | Medium |

**Supporting vulnerable people**

Local Authorities play a vital role in supporting vulnerable people, addressing their needs and promoting community well-being. This audit sought assurance on the arrangements for supporting vulnerable customers and meeting legal duties; adapting to and providing for emerging need; and ensuring support mechanisms have been designed to meet the needs of the right people, administered correctly and demonstrate value for money.

The Council has demonstrated strong leadership and effective arrangements for supporting vulnerable people through the introduction of the integrated people offer. Staff members received adequate training ensuring they are well equipped to meets the needs on the community and mechanisms are in place to keep the organisation up to date with emerging needs and regulatory changes. Officers maintain good records of the people they support, ensuring transparency and accountability.

There is effective collaboration with internal and external stakeholders, fostering strong partnerships and the Council conducts various awareness and prevention campaigns to promote its services. Furthermore, audit sample testing confirmed that financial assistance programmes are well-managed ensuring support reaches those in need.

The Council could further enhance the delivery of the integrated people offer by developing an overarching service plan to demonstrate a coordinated approach to deliver the offer, enhancing clarify and direction, as well as implementing a more structured approach to seeking feedback on its services. The audit also identified that arrangements need to be in place to publish local community trigger data on an annual basis and an equality impact assessment must be completed for the Anti-Social Behaviour Policy (Housing).

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** | Moderate |
| **Organisational impact** | Low |

**Leisure contract management**

The contract for management of Waterfield Leisure Centre (WLC) and Melton Sports Village (MSV) is operated by Sports and Leisure Management Ltd (SLM) and was due to expire in March 2022. In light of the Covid-19 pandemic in 2020 and forced closure of leisure facilities, a deed of variation was agreed to provide financial support to the provider to the end of the financial year 2021/22. The contract was subsequently extended for a period of two years to March 2024 to allow time for market conditions to stabilise and for the Council to undertake an options appraisal and procurement of a new contract for future leisure provision. This is one of the Council's highest value contracts which continues to operate in a changing risk environment. As such, the contract must be managed efficiently and effectively to demonstrate value for money.

Based on the audit findings, it is apparent that current contract management arrangements have been significantly impacted in recent years, initially by the onset of the pandemic and subsequent recovery period and more recently by ongoing volatility in the leisure market due to overall economic conditions and energy price inflation. This, coupled with limited staff resources and commencement of a major project to procure a new contract, means that management of the current contract has been largely focused on maintaining the financial viability and survival of the service. As such, management of contractual performance requirements has been mostly informal and light-touch.

Officers are aware of the need to improve contract performance management and are focused on ensuring that an effective framework of controls and processes is put in place for when the new contract commences in April 2024. The recommendations in this report should help to strengthen the control environment. Management and Members should ensure that the Council has sufficient capacity to deliver and maintain the required contract management improvements when the new service commences.

The Council has provided significant financial support to the operator since the pandemic based on open-book accounting records that have been subject to appropriate scrutiny and review. The ongoing impact of current economic and leisure market conditions meant the current year management fee remained unpaid and subject to negotiation at the time of audit, along with end-of-contract dilapidations. Officers have advised that agreement has now been reached that the full fee will be payable and are seeking to ensure that negotiations in respect of dilapidations are finalised as soon possible.

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

| Assurance Opinion | |
|---|---|
| **Control environment** | Moderate |
| **Compliance** | Moderate |
| **Organisational impact** | Medium |

2.6 **Are any amendments required to the planned Internal Audit coverage for 2023/24, to respond to changes in the risk environment?**

The Internal Audit plan for 2023/24 includes an audit of the Asset Development Plan and this was scheduled for delivery in the final quarter of the financial year. Planning work on this audit in December 2023 highlighted that the plan is not yet in a stage where it is ready for audit review, with timescales for this changing during 2023.

As such, it is recommended that the audit of the Asset Development Plan be postponed to the 2024/25 Internal Audit plan, when it is expected that an audit would be of greater value.

The days allocated to this planned work could, if agreed, be re-allocated to an alternative audit assignment. In previous years, Internal Audit has conducted annual reviews on procurement compliance but this was dropped from the draft audit plan for 2023/24, due to a lack of available days and prioritisation of other assignments. The amendment above would enable this procurement compliance testing to be reinstated for this year. This audit testing provides assurances over the Council's compliance with key policies and securing of value for money from the procurement of goods and services, and would usually be delivered in the final quarter in order to give assurance over the full financial year.

## 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 | | | | | | | | | | | | |
| Council tax / business rates voids and exemptions | 12 | 11 | | | | | ● | | | | | Q2 |
| Key corporate controls & policies | | | | | | | | | | | | |
| Key financial controls | 18 | - | | ● | | | | | | | | Q4 |
| Budgetary control | 10 | - | | ● | | | | | | | | Q4 |
| Growth and Regeneration – risk based audit coverage | | | | | | | | | | | | |
| UK Shared Prosperity Fund (UKSPF) and Rural England Prosperity Fund | 15 | 1 | | ● | | | | | | | | Advisory work completed in Q1 |
| Levelling Up Fund (LUF) | 15 | 9 | | | | | ● | | | | | Q3 |
| S106 agreements | 15 | 15 | | | | | ● | | | | | Q3 |
| Environmental health | 18 | 11 | | | | | | ● | | | | See section 2.5 |
| Asset development plan | 15 | 1 | | ● | | | | | | | | Q4 |

| Assignment | Budget | Actual | Not Started | Planning | Field Work Underway | Field Work Complete | Draft Report | Final Report | Control Environment | Compliance | Org Impact | Comment |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Housing and Communities – risk based audit coverage | | | | | | | | | | | | |
| Landlord health and safety | 5 | 5 | | | | | | ● | **Good** | **Good** | **Low** | Reported in November 2023 |
| Supporting vulnerable people | 18 | 25 | | | | | | ● | **Good** | **Moderate** | **Low** | See section 2.5 |
| Leisure contract management | 15 | 13 | | | | | | ● | **Moderate** | **Moderate** | **Medium** | See section 2.5 |
| Housing voids management | 10 | 12 | | | | | | ● | **Moderate** | **Good** | **Low** | Reported in November 2023 |

| Assignment | Budget | Actual | Comments |
|---|---|---|---|
| Other Client Support | | | |
| Contingency | 2 | - | |
| Advice & Assistance | 3 | 2 | |
| Committee Work, Support & Annual Report | 15 | 11 | |
| Recommendation Follow-Up | 3 | 2 | |
| Client Meetings, AGS/NFI & External Audit, Audit Planning | 15 | 11 | |
| Internal Audit Management & Development | 21 | 12 | |

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 is a sound system of internal control to support delivery of the objectives. | The control environment is operating as intended with no exceptions noted which pose risk to 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. | The control environment is generally operating as intended with some exceptions 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. | Controls are not consistently operating as intended, which poses a medium risk to the delivery of the objectives. |
| **Limited** | There are gaps in the internal control framework which pose a high risk to delivery of the objectives. | 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 a suitable internal control framework has been designed. | Internal Audit is unable to provide any assurance that controls have been effectively applied in practice. |

| Organisational Impact | |
|---|---|
| **Level** | **Definition** |
| **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. |



**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 | - | - | 5 | 16% | 2 | 33% | 7 | **16%** |
| Actions due within last 3 months, but **not implemented** | 2 | 33% | 7 | 23% | - | - | 9 | **21%** |
| Actions due **over 3 months** ago, but **not implemented** | 4 | 67% | 19 | 61% | 4 | 67% | 27 | **63%** |
| Totals | 6 | 100% | 31 | 100% | 6 | 100% | 43 | 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. | October 2023 - following approval from Octobers Cabinet, the meetings for IHMS tenants across the borough have been scheduled to discuss future options for the service, including anticipated costs. When this consultation has been completed a further report will be presented to Cabinet in January 2024. In addition work will commenced to remove those tenants who advised they no longer wished to receive the service, with an initial date of November 2023, once the necessary forms have been received from the tenants to remove their charges. work has also commenced on the drafting of a local lettings policy, which will be implemented across the borough when the IHMS designation is removed from properties. | 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. | December 2023 - A meeting was held in November which established that the interface failure is due to security issues with the Axis IT platform. Axis have confirmed that they are willing to look at options to resolve this, but that will take up to six weeks. They have also offered another alternative which would involve MBC upgrading their software. Options to be considered and reported back to the Housing Leadership Team in January. | Director of Housing & Communities | 31/12/2021 | - |

| Audit Title and Year | Service Area | Issue / Outstanding Action | Latest update and reason for revised implementation timescale | Officer Responsible | Original Date | Revised Date |
|---|---|---|---|---|---|---|
| Business Continuity Management 2022/23 | Corporate Lead for Business Continuity | Current Service Area Plans to be fully completed for the following services:<br>· Planning Development;<br>· Regulatory Services;<br>· Property Services;<br>· Democratic Services<br><br>'Section 4 – Reinstatement Priorities' was incomplete for all the above service areas. | December 2023 - ongoing, will form part of new shared BCP role secured through LRP, this role will work with all relevant services areas to ensure their BCPs are both updated and fully completed for the start of the 2024/25 financial year. | Corporate Lead for Business Continuity | 31/03/2023 | - |
| See **Appendix B** for fourth action | | | | | | |

## 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 seven responses received during the year to date are set out below.

| Aspects of Audit Assignments | N/A | Outstanding | Good | Satisfactory | Poor |
|---|---|---|---|---|---|
| Design of Assignment | - | 3 | 4 | - | - |
| Communication during Assignments | - | 6 | 1 | - | - |
| Quality of Reporting | - | 4 | 3 | - | - |
| Quality of Recommendations | - | 3 | 4 | - | - |
| **Total** | **-** | **16** | **12** | **-** | **-** |

# Appendix 5: Limitations and Responsibilities

## *Limitations inherent to the internal auditor's work*

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

## *Opinion*

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

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

## *Internal control*

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

## *Future periods*

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

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

## *Responsibilities of management and internal auditors*

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

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

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By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Melton Borough Council

Helping people | Shaping places

# Audit and Standards

16th January 2024

# Counter Fraud Update

| | |
|---|---|
| **Report Author:** | **Rachel Ashley-Caunt**, Chief Internal Auditor<br>07799 217378<br>rashley-caunt@melton.gov.uk |
| **Chief Officer Responsible:** | **Dawn Garton**, Director of Corporate Services<br>01664 502444<br>dgarton@melton.gov.uk |
| **Lead Member/Relevant Portfolio Holder** | N/A |

| | |
|---|---|
| **Corporate Priority:** | All |
| **Relevant Ward Member(s):** | N/A |
| **Date of consultation with Ward Member(s):** | N/A |
| **Exempt Information:** | N/A |

## 1 Summary

1.1 The report provides the Committee with an update on the Council's counter fraud activity.

| 2 RECOMMENDATION |
|---|
| That Committee:<br><br>1. Notes the progress made in counter fraud work. |

## 3 Reason for Recommendations

To inform the Committee on the pro-active work completed and underway to prevent, detect and target potential fraud risks.

## 4 Background

4.1 The Council has a zero tolerance to fraud and corruption which is communicated and enforced through its policies and procedures. In order to actively promote this culture and

ensure controls are robust as possible, the Chief Internal Auditor and the Director for Corporate Services review fraud risks and assess against good practice on a regular basis. Opportunities are also sought to engage with staff and maintain awareness of key policies and expectations.

4.2 This report is intended to provide an update on counter fraud activity during the 2023/24 financial year to date.

## 5 Main Considerations

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

**Prevention**

a) Production of the new Counter Fraud and Corruption Policy and Anti-Money Laundering Policy which were both approved by the Audit and Standards Committee in November 2023;

b) Monitoring completion of the Fraud Awareness training module on the online learning platform. This module has been deemed as mandatory for all staff;

c) Fraud Awareness Week (week commencing 13th November 2023) communications to promote fraud awareness internally and externally;

d) All staff briefing by the Monitoring Officer and Chief Internal Auditor in November 2023 to promote the ethical governance policies, fraud trends and whistleblowing procedures;

**Detection**

e) Monitoring of the Council's 'Report Fraud' mailbox and handling of referrals;

f) Analysis and ongoing investigation of data matches generated by the recent National Fraud Initiative (NFI) pilot exercise for social housing fraud. Whilst this has not resulted in any reportable outcomes at this time, it has enabled cleansing of tenancy data and an opportunity to update records for better data matching outcomes in future exercises;

g) Submission of council tax and electoral roll data for the annual single person discount data matching exercise under the NFI;

h) Ongoing investigation of matches from the 2022 NFI data matching exercise;

**Compliance**

i) Regular review of the Council's Fraud Risk Register and reference to this in planning Internal Audit coverage for 2023/24; and

j) Internal Audit work on council tax and business rates voids/exemptions to assess the effectiveness of preventative and detective controls in relation to business rate and council tax fraud.

## 6 Options Considered

6.1 The regular reporting on delivery of the Internal Audit plan is a requirement under the Committee's terms of reference and the Public Sector Internal Audit Standards. If the report was not provided, the Committee could not effectively deliver its role in providing oversight of Internal Audit work under the terms of refence and Standards.

## 7 Consultation

7.1 Not applicable.

## 8 Next Steps – Implementation and Communication

8.1 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.

## 9 Financial Implications

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

**Financial Implications reviewed by: Director for Corporate Services**

## 10 Legal and Governance Implications

10.1 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: Interim Assistant Director for Governance & Democracy (Monitoring Officer)**

## 11 Equality and Safeguarding Implications

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

## 12 Data Protection Implications (Mandatory)

12.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no risks/issues to the rights and freedoms of natural persons arising directly from this report.

## 13 Community Safety Implications

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

## 14 Environmental and Climate Change Implications

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

## 15 Other Implications (where significant)

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

## 16 Risk & Mitigation

16.1 The counter fraud work update provides assurance over the Council's internal controls to identify and manage key fraud risks and inform risk management arrangements.

## 17 Background Papers

17.1 N/A

## 18 Appendices

18.1 None.

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