

MELTON BOROUGH COUNCIL

INTERNAL AUDIT UPDATE

MARCH 2021



Date: 9th March 2021

Introduction

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

Performance

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

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

At the time of reporting, 100% of the Audit Plan is either complete or in progress. This is despite the Internal Audit team avoiding any fieldwork which could present unnecessary pressures or diversion of resource during the pandemic response.

Progress on individual assignments is shown in Appendix 1.

2.2 Are audits being delivered to budget?

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

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

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

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

As at the time of reporting, the team had been delivering 92% productivity, against the target set of 90%.

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

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




Lifeline income

The lifeline service supports a number of the Council's priorities, including supporting people to overcome disadvantage and live well and independently. Timesage lifeline is an extended 24-hour emergency response service for Melton residents. The service currently offers two packages: lifeline and lifeline falls. Customers can sign-up through the Timesage website or by directly contacting the Council. Website customers can pay using a credit card or PayPal subscription. Direct customers are billed via the sundry debtors systems and can pay by annual lump sum or monthly direct debit. Management is seeking assurances that all income is fully and properly accounted for.

It was determined that approximately 90% of lifeline income is managed through the sundry debtors system. An audit of the sundry debtors system is outside the scope of this review and testing therefore focused on income derived from Timesage website customers. Review and testing of the sundry debtors system is subject to separate audit coverage as part of the cyclical review of key financial systems. Furthermore, it is understood that proposals are being developed to move all customers to the sundry debtors system in future. As such, some of the findings and recommendations in this report may become redundant and should be considered within this context.

Based on Internal Audit testing, appropriate controls are in place to ensure all income received from Timesage website customers is fully and properly accounted for. Financial controls could be further strengthened by increasing the frequency of the Timesage bank account reconciliation. Broader management arrangements could be improved through the development of operational procedure notes, improving customer records and better monitoring and reporting of outstanding debts.

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

Assurance Opinion	
Control environment	Satisfactory 
Compliance	Good 
Organisational impact	Minor 

Ethics and equalities

As a local authority, Melton Borough Council has a responsibility to act in an ethical way, by demonstrating good governance practice and upholding high standards of conduct and behaviour by officers, Members, partners and providers. In the course of conducting its business, the Council must seek to balance a number of different ethical considerations. Ensuring that the Council as a whole acts in an ethical manner starts with the authority's key values and governance framework.

The Council has produced key documents to highlight and maintain a clear governance framework, with ethical principles and considerations. Review of a wide variety of policies, guides and codes found that they include key ethical and governance information ensuring

that there is a consistent approach and are fit for purpose. Induction and training information for Officers and Members provided, and includes mandatory ethical governance training. Ethical considerations are taken into account when setting up and managing contracts, and partnership agreements will include dispute resolution and promotion of equality and diversity going forward. An updated equality scheme covering 2020 – 2024 was approved by Full Council in December 2019.

The rules around decision making are detailed within the Council’s Constitution and are clear and accessible. Key decision testing showed that processes and procedures were working effectively, and ethical considerations were considered to ensure a fair outcome, with Equalities Impact Assessments applied as appropriate. Web accessibility requirements have been reviewed and the Council has fixes in place for almost all issues found which should be complied with, with continuous improvement to seek full compliance in future. There is potential to make better use of National Fraud Initiative data to provide assurance over compliance with officer declarations of directorships, for example, and to take this opportunity to strengthen officer interest records.

Pay Policy Statement and Recruitment and Selection Policy and procedures are in place, however the latter has not been reviewed since 2016 and require an update to include specific legislative requirements, such as gender pay gap and fair pay reporting. It is noted that some of the templates in use are not fully compliant with expected practice, and there is potential to make better use of the data available to assess cross organisation compliance and embedding of ethical standards.

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	●

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

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

Since the last committee meeting, three actions from audit reports have been completed by officers. At the date of reporting, there are eleven agreed management actions which are overdue for implementation. An analysis of the implementation of actions is provided in Appendix 3. There are three actions which were assessed as 'High' priority which have been overdue for more than three months – full details are provided in Appendix 4.

Appendix 1: Progressing the Annual Internal Audit Plan

KEY
Current status of assignments is shown by 

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Corporate Governance & Counter Fraud												
Procurement compliance	10	5			●							
Ethics and equalities	10	14						●	Good ●	Good ●	Minor ●	See section 2.5
Key Corporate Controls & Policies												
Key Financial Controls	15	2			●							
Financial management code (consultancy)	12	4			●							
Budgetary control	12	1			●							
Corporate Objective: Shaping places												
Cattle Market	18	18						●	Satisfactory ●	Satisfactory ●	Minor ●	
Cemetery consultancy support	5	5						●	N/A Consultancy support			




Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Corporate Objective: Great Council												
Asset management	15	6			●							
Lifeline income	3	3						●	Satisfactory ●	Good ●	Minor ●	See section 2.5
Corporate Objective: Helping People												
Rent arrears	10	12						●	Satisfactory ●	Good ●	Minor ●	
Landlord health and safety (follow up)	15	1		●								
Housing repairs	15	1.5			●							

Assignment	Budget	Actual	Comments
Other Client Support			
Covid 19 support – governance and financial management assurances	30	24	
Business grants / counter fraud support	12	9	
Advice & Assistance	3	2.5	
Contingency	5	-	
Committee Work, Support & Annual Report	15	8	

Assignment	Budget	Actual	Comments
Other Client Support			
Recommendation Follow-Up	3	2.5	
Client Meetings, AGS/NFI & External Audit, Audit Planning	15	10	
Internal Audit Management & Development	21	17	




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

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

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

Category of Recommendations

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

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

Appendix 2: Customer Satisfaction

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

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

Appendix 3: Implementation of Audit Recommendations

	'High' priority recommendations		'Medium' priority recommendations		'Low' priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and implemented since last Committee meeting	2	40%	-	-	1	14%	3	21%
Actions due within last 3 months, but not implemented	-	-	-	-	1	14%	1	7%
Actions due between 3 and 6 months ago, but not implemented	-	-	-	-	-	-	-	-
Actions due over 6 months ago, but not implemented	3	60%	2	100%	5	72%	10	72%
Totals	5	100%	2	100%	7	100%	14	100%

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

Audit Title and Year	Service Area	Issue / Outstanding Action	Latest update and reason for revised implementation timescale	Officer Responsible	Original Date	Revised Date
Effectiveness of Case Management Arrangements 2019-20	Housing & Communities	<p>Prepare a formal service specification</p> <p>Prepare a formal service specification or plan setting out the overall aims and objectives of the IHM service, expected outcomes and detailed description of the services provided. This should clearly distinguish between welfare and tenancy based services and how they are delivered to maximise effectiveness and value for money.</p>	The Council's resources continue to be directed at the impact and recovery from Covid 19. The revision of Case Management will be addressed through the HRA business plan review 2021/22, with a revisit of IA in Q4 21/22.	Director of Housing & Communities	30/11/2019	30/06/2021
Landlords Health & Safety 2019-20	Housing & Communities	Asbestos Surveys	<p>In relation to data management, we have continued to audit and quality check data, bringing together all records from contractors ready to populate the Housing and Asset Management System - this shows there is now 46 properties with no survey, compared to 441 in November 2019.</p> <p>We are looking at our planned workstreams using them as a basis to co-</p>	Director of Housing & Communities	31/12/2019	31/05/2021

Audit Title and Year	Service Area	Issue / Outstanding Action	Latest update and reason for revised implementation timescale	Officer Responsible	Original Date	Revised Date
			ordinate new and refresh older surveys. These are ongoing but impacted by lockdown restrictions. The third lockdown has impacted on this further, leading to extended date of June 2021.			
Landlords Health & Safety 2019-20	Housing & Communities	Central record of all health and safety inspections	Reflecting the build time for the new Housing Management modules, this will not be complete until March 2021. In the meantime, master spreadsheets allow effective management	Director of Housing & Communities	01/04/2020	31/03/2021

Appendix 5: Limitations and Responsibilities

Limitations inherent to the internal auditor's work

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

Opinion

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

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

Internal control

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

Future periods

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

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

Responsibilities of management and internal auditors

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

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