

MELTON BOROUGH COUNCIL

INTERNAL AUDIT UPDATE

NOVEMBER 2021



Introduction

- 1.1 The delegated internal audit service for Melton Borough Council has been commissioned to provide 235 audit days to deliver the 2021/22 Annual Audit Plan and undertake other work commissioned by the client.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Audit and Standards Committee to scrutinise the performance of the Internal Audit Team and to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the Consortium.

Performance

2.1 Will the Internal Audit Plan for 2021/22 be delivered?

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

At the time of reporting, 65% of the Audit Plan is either complete or in progress.

Progress on individual assignments is shown in Appendix 1.

2.2 Are audits being delivered to budget?

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

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

Responses received to the Customer Satisfaction Questionnaire are summarised in Appendix 2.

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

As at the time of reporting, the team had been delivering 94% productivity, against the target set of 90%.

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

At the time of reporting, the following audits from the 2021/22 audit plan have been finalised:

Land charges

Melton Borough Council has a statutory duty under the Local Land Charges Act 1975 to maintain an accurate and up-to-date Register of Local Land Charges affecting land and property. The Council receives income from the service provided to search for entries on the Local Land Charges (LLC) Register in competition with other companies that offer similar services, but must ensure that income over a three year period does not exceed the costs of providing the service. The Local Land Charge Income budget for the 2021/22 year equates to £94,290.




In overall terms, the audit concluded that there are some medium level recommendations that need to be addressed before the system for maintaining the LLC Register and responding to local search requests can operate fully as intended by management.

The audit confirmed that there are appropriate arrangements in place to keep the Council informed of any changes in legislation that may impact on the processes in place to maintain the LLC Register and administer land searches. The LLC Register is maintained on a system called Total Land Charges (TLC) but the review highlighted that there is a significant backlog of manual planning registration cards that are not currently reflected on the electronic LLC Register.

Historically the Council has experienced significant issues with meeting central government's target for processing land search requests within 10 days. It is noted that monthly performance figures significantly improved from March 2021 onwards and that improved performance has been sustained at the time of audit, with an average turnaround time of 4.16 days. Sample testing noted some anomalies in the recording of dates when search requests are received and also the dates recorded on search returns that could impact on the accuracy of turnaround times currently being reported, although these were not likely to be to an extent that would materially impact on delivery of the 10 working day target set by central government.

The results of audit testing confirmed that income is received either before, during or shortly after land search requests are processed, and that the correct fees are being charged.

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


| Assurance Opinion | |
|------------------------------|--|
| Control environment | Satisfactory  |
| Compliance | Satisfactory  |
| Organisational impact | Minor  |

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

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

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

Appendix 1: Progressing the Annual Internal Audit Plan

KEY
Current status of assignments is shown by 

| Assignment | Budget | Actual | Not Started | Planning | Field Work Underway | Field Work Complete | Draft Report | Final Report | Control Environment | Compliance | Org Impact | Comment |
|---|--------|--------|-------------|----------|---------------------|---------------------|--------------|--------------|---------------------|------------|------------|---------|
| Corporate Governance & Counter Fraud | | | | | | | | | | | | |
| Procurement compliance | 8 | - | ● | | | | | | | | | |
| Risk and performance framework | 10 | 0.5 | | ● | | | | | | | | |
| Covid 19 recovery | 14 | 2.5 | | | ● | | | | | | | |
| Local taxation fraud | 10 | 0.5 | | ● | | | | | | | | |
| Key Corporate Controls & Policies | | | | | | | | | | | | |
| Key financial controls | 15 | 0.75 | | ● | | | | | | | | |
| Project management | 10 | 2.5 | | | ● | | | | | | | |
| Starters and leavers | 8 | 2.5 | | | ● | | | | | | | |
| Procurement cards | 8 | 8 | | | | | | ● | ● Substantial | ● Good | ● Minor | |
| Asset management – leases | 8 | 7.5 | | | | | ● | | | | | |




| Assignment | Budget | Actual | Not Started | Planning | Field Work Underway | Field Work Complete | Draft Report | Final Report | Control Environment | Compliance | Org Impact | Comment |
|--------------------------------------|--------|--------|-------------|----------|---------------------|---------------------|--------------|--------------|---------------------|-------------------|------------|-----------------|
| Corporate Objective: Shaping places | | | | | | | | | | | | |
| Land charges | 10 | 10 | | | | | | ● | Satisfactory ● | Satisfactory ● | Minor ● | See section 2.5 |
| Planning service review | 12 | - | ● | | | | | | | | | |
| Planning enforcement | 10 | 1 | | ● | | | | | | | | |
| Corporate Objective: Helping People | | | | | | | | | | | | |
| Temporary accommodation | 12 | 1 | | | ● | | | | | | | |
| HRA business plan | 15 | - | ● | | | | | | | | | |
| Intensive housing management service | 10 | - | | ● | | | | | | | | |
| Community grants | 10 | 10 | | | | | | ● | Good ● | Satisfactory ● | Minor ● | |
| Housing repairs | 10 | - | ● | | | | | | | | | |

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

| Assignment | Budget | Actual | Comments |
|---|--------|--------|----------|
| Other Client Support | | | |
| Contingency | - | 10 | |
| Advice & Assistance | 3 | 2 | |
| Committee Work, Support & Annual Report | 15 | 7 | |
| Recommendation Follow-Up | 3 | 1.8 | |
| Client Meetings, AGS/NFI & External Audit, Audit Planning | 15 | 7 | |
| Internal Audit Management & Development | 21 | 8 | |




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

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

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

Category of Recommendations

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

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

Appendix 2: Customer Satisfaction

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

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

Appendix 3: Implementation of Audit Recommendations

| | 'High' priority recommendations | | 'Medium' priority recommendations | | 'Low' priority recommendations | | Total | |
|---|---------------------------------|------------|-----------------------------------|------------|--------------------------------|------------|--------|------------|
| | Number | % of total | Number | % of total | Number | % of total | Number | % of total |
| Actions due and implemented since last Committee meeting | 2 | 33% | - | - | 1 | 9% | 3 | 11% |
| Actions due within last 3 months, but not implemented | - | | 4 | 40% | 4 | 33% | 8 | 29% |
| Actions due between 3 and 6 months ago, but not implemented | - | - | 2 | 20% | - | - | 2 | 7% |
| Actions due over 6 months ago, but not implemented | 4 | 67% | 4 | 40% | 7 | 58% | 15 | 53% |
| Totals | 6 | 100% | 10 | 100% | 12 | 100% | 28 | 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> | Timeline for completion mid-November for presentation at SLT post Director sign off in early December 2021. Will be added to forward plan. | Director of Housing & Communities | 30/11/2019 | 28/02/2022 |
| Landlords Health & Safety 2019-20 | Housing & Communities | Asbestos Surveys | Northgate Asbestos module implemented and now live enabling all data and recommendations to be saved against the property. There are 16 properties remaining which are prioritised for the contractor but issues noted with gaining access. | Director of Housing & Communities | 31/12/2019 | As soon as possible |

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

Appendix 5: Limitations and Responsibilities

Limitations inherent to the internal auditor's work

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

Opinion

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

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

Internal control

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

Future periods

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

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

Responsibilities of management and internal auditors

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

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