

## **Appendix A**

Melton Borough Council  
Internal Audit Progress Report  
June 2023



## **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 Consortium.

## **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, work is underway on all assignments scheduled for quarter 1 (Q1) of the financial year and planning is underway on an assignment for quarter 2 (Q2).

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?**

No surveys received in respect of 2023/24 audits to date.

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

Since the last Audit and Standards Committee meeting, 11 audit recommendations have been completed.

At the date of reporting, there are 31 agreed management actions which are overdue for implementation. An analysis of the implementation of actions is provided in Appendix 2. There are two actions which were assessed as 'High' priority and have been overdue for more than three months – full details are provided in Appendix 3.

## Appendix 1: Progressing the Annual Internal Audit Plan

**KEY**

Current status of assignments is shown by ●

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Corporate governance & counter fraud												
Council tax / business rates voids and exemptions	12	-	●									Q2
Key corporate controls & policies												
Key financial controls	18	-	●									Q4
Budgetary control	10	-	●									
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	-	●									TBC
S106 agreements	15	-	●									Q3
Environmental health	18	1		●								Q2
Asset development plan	15	-	●									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	1			●							Q1
Supporting vulnerable people	18	-	●									Q2
Leisure contract management	15	-		●								Q1
Housing voids management	10	9						●				Q1

Assignment	Budget	Actual	Comments
Other Client Support			
Contingency	2	-	
Advice & Assistance	3	0.5	
Committee Work, Support & Annual Report	15	5	
Recommendation Follow-Up	3	1	
Client Meetings, AGS/NFI & External Audit, Audit Planning	15	3	
Internal Audit Management & Development	21	6	

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

<b>Compliance Assurances</b>		
<b>Level</b>	<b>Control environment assurance</b>	<b>Compliance assurance</b>
<b>Substantial</b> ●	There 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.
<b>Good</b> ●	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.
<b>Moderate</b> ○	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.
<b>Limited</b> ●	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.
<b>No</b> ●	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.

<b>Organisational Impact</b>	
<b>Level</b>	<b>Definition</b>
<b>High</b> ●	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.
<b>Medium</b> ○	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.
<b>Low</b> ●	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.

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

## Appendix 2: Implementation of Audit Recommendations

	'High' priority recommendations		'Medium' priority recommendations		'Low' priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions <b>implemented</b> since last Committee meeting	-	-	6	26%	5	45%	11	26%
Actions due within last 3 months, but <b>not implemented</b>	6	75%	11	48%	1	9%	18	43%
Actions due <b>between 3 and 6 months</b> ago, but <b>not implemented</b>	-	-	2	9%	1	9%	3	7%
Actions due <b>over 6 months</b> ago, but <b>not implemented</b>	2	25%	4	17%	4	37%	10	24%
Totals	8	100%	23	100%	11	100%	42	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.	<p>June 2023 - Nearly 50% of the surveys of the dispersed IHMS tenants have been returned, and an action plan put in place to achieve 100%, by the end of July 2023. Once we know the level of interest in the service, we will be able to define the service, and also start to remove those tenants who have decided to opt out. The opt out process requires each tenant to sign a deed of variation for their tenancy and also a safeguarding statement, to ensure that they have alternative plans in place to summon help once they have left the IHMS service.</p> <p>The offer for the wellbeing service at Gretton Court, which includes the IHMS service has been proposed to SLT. The offer will include a full time dedicated IHMS officer – as requested by the tenants during the consultation phase, plus a concierge service and a comprehensive range of activities. The next step is to discuss this with Cabinet Members, before holding further open meetings for the tenants (their carers and families etc) to run through the new service and charges. One excellent</p>	Director of Housing & Communities	30/11/2019	-

Audit Title and Year	Service Area	Issue / Outstanding Action	Latest update and reason for revised implementation timescale	Officer Responsible	Original Date	Revised Date
			<p>outcome of this review is that the proposal not only delivers all the items the tenants requested but also a reduction in cost for tenants. The service will also correctly be fully funded by the tenants of Gretton Court, delivering an efficiency to the HRA.</p> <p>The approach for the remaining 3 courts has been prepared, and will commence with consultation events for the tenants.</p> <p>The roles of the IHMS staff are currently being job evaluated, to take into account the new requirements of their roles, again in response to the consultation with tenants. ,</p>			
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.	June 2023 – The teams at Axis and MBC have resolved all of the technical issues that prevented the first three parts of the original interface from working – these were critical components and this means that the systems are now connected as planned. This is a significant achievement. A programme of testing will start shortly to ensure that the system works as intended, with a view to being ready to switch the first three parts of the interface on by August 2023. There are	Director of Housing & Communities	31/12/2021	August 2023

Audit Title and Year	Service Area	Issue / Outstanding Action	Latest update and reason for revised implementation timescale	Officer Responsible	Original Date	Revised Date
			<p>six further operational components to develop and implement.</p> <p>There is the potential to further update and develop this programme of work to suit new and emerging business needs. This is outside of the audit recommendation.</p>			

## **Appendix 4: Limitations and Responsibilities**

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

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

#### ***Opinion***

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

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

#### ***Internal control***

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

#### ***Future periods***

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

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

#### ***Responsibilities of management and internal auditors***

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

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