

Melton Borough Council
Internal Audit Progress Report
November 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 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 a number of further 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, 26 audit recommendations have been completed.

At the date of reporting, there are 34 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:

Housing voids management

The Council has approximately 1,800 homes and spends over £1 million per year on maintenance, including void repairs. Most void works are carried out by Axis Europe Plc under the Council's housing maintenance contract which commenced in September 2018. A full contract management audit and subsequent follow-up work has been carried in previous years. This audit focuses specifically on the management of housing voids.

Based on the audit findings there is a generally sound overall control framework in place but with scope to strengthen arrangements in some areas. Policies and procedures are in place but in need of review and updating. Officers stated that the introduction of pre-termination inspections has improved the condition of void properties although the recharge policy has not yet been finalised and tenants do not currently receive written notification of the outcome of inspections.

Performance management and reporting arrangements are in place but could be strengthened. The 2022/23 average void re-let time was significantly over target at 149 days, reflecting a period of poor contractor performance and a backlog of long-term void properties. More recent data indicates an improving trend with an average re-let time of 54 days in April 2023 and an expectation that underlying performance levels will become clearer as the backlog of long-term voids is cleared. The development of a more granular set of performance targets covering additional key stages of the void process should help to strengthen existing arrangements.

Regular internal and contract management meetings take place and are formally recorded. The development of clearer minutes and action plans arising from weekly void management meetings would further strengthen existing arrangements and help to ensure that all actions and initiatives are progressed and remain on target.

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	Good	●
Organisational impact	Low	●

Landlord health and safety

As a landlord, the Council has a number of crucial responsibilities to ensure the safety of its housing properties. These include ensuring the regular servicing and safety checks on gas, electrical installations, passenger lifts and fire safety equipment; risk assessments of fire and water safety; and the timely and satisfactory completion of any remedial actions arising from inspections.

The last audit of Landlord Health and Safety in 2022/23 provided assurance over progress made by the Council in embedding a robust compliance regime for housing properties. The audit plan for 2023/24 included an allocation for targeted testing on compliance, to provide real time, ongoing assurance that the compliance regimes continue to remain on track and controls continue to be applied consistently in practice.

Audit testing has provided assurance that the control environment remains fit for purpose, with further work progressing on development of procedures and management plans. Regular reporting to management and Members provides ongoing assurance over the tracking of compliance and completion of remedial actions arising. Audit sample testing has provided assurance over the integrity of the reported performance and confirmation that compliance is suitably evidenced.

In random sample testing, 100% of properties selected had valid gas safety certificates; valid electrical installation inspection reports (EICRs) rated as 'Satisfactory'; and an asbestos survey – with full management surveys commissioned where any existing coverage had been limited to refurbishment surveys. For applicable properties, 100% selected at random had evidence of a fire risk assessment; water safety inspection; and six monthly servicing of passenger lifts. Evidence of remedial action completion or tracking was generally available on request.

Since October 2022, there has been a legal requirement for all social housing to have both smoke detection and carbon monoxide detection devices (where gas supply) installed. Over the last twelve months a significant programme of work has been co-ordinated to ensure compliance. Primarily due to access issues, there are currently 6% of applicable properties where it is not evidenced whether a carbon monoxide detector is in place and 4% where it is not evidenced whether a smoke detector is in place – but records are held that remaining tenanted properties have been contacted, ensuring compliance with the requirements of the regulations. Programmes continue in both areas to ensure these remaining properties are confirmed as compliant and installations made, where any gaps are identified, including the additional installation of heat detection which exceeds legal requirements. This is already subject to weekly and monthly performance monitoring. Contractors are installing devices during routine visits whenever a lack of detector is noted.

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	Low	●

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	See section 2.5
Supporting vulnerable people	18	25					●					Q2
Leisure contract management	15	10					●					Q1
Housing voids management	10	12						●	Moderate	Good	Low	See section 2.5

Assignment	Budget	Actual	Comments
Other Client Support			
Contingency	2	-	
Advice & Assistance	3	1	
Committee Work, Support & Annual Report	15	7	
Recommendation Follow-Up	3	1.8	
Client Meetings, AGS/NFI & External Audit, Audit Planning	15	10	
Internal Audit Management & Development	21	9	




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	50%	12	%	9	50%	26	44%
Actions due within last 3 months, but <u>not implemented</u>	1	10%	10	%	-	%	11	18%
Actions due <u>over 3 months</u> ago, but <u>not implemented</u>	4	40%	14	40%	5	%	23	38%
Totals	10	100%	36	100%	14	100%	60	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.	November 2023 - Meeting now scheduled with Axis for w/c 6th November to discuss issues with connection. In parallel we are working with another contractor to develop a similar interface, if this interface works we will be able to confirm that the issue is definitely on the Axis side. This information is expected this week (w/c 6/11/23)	Director of Housing & Communities	31/12/2021	30/11/2023

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	<p>Current Service Area Plans to be fully completed for the following services:</p> <ul style="list-style-type: none"> · Planning Development; · Regulatory Services; · Property Services; · Democratic Services <p>'Section 4 – Reinstatement Priorities' was incomplete for all the above service areas.</p>	November 2023: Business Continuity support being secured through the Leicester shire resilience forum, this role will be responsible for working with managers to ensure all BCPs are up to date and in accordance with relevant requirements. Relevant internal decision notices have been filled in and are currently being considered by the report sign off group. MBC is currently awaiting contract from LCC before proceeding.	Corporate Lead for Business Continuity	31/03/2023	-

See Exempt **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 three 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	-	-
Communication during Assignments	-	2	1	-	-
Quality of Reporting	-	1	2	-	-
Quality of Recommendations	-	1	2	-	-
Total	-	4	8	-	-

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.