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: · Planning Development; · Regulatory Services; · Property Services; · Democratic Services '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.