

Melton Borough Council
Internal Audit Progress Report
March 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 100% of assignments from the 2023/24 Internal Audit plan and fieldwork is complete on 85% of audits. 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, ten 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, 15 agreed actions have been completed. At the date of reporting, there are 23 agreed 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.

Following the last meeting of the Audit and Standards Committee, concerns raised by the committee regarding the high and increasing number of overdue actions were shared with Senior Leadership Team and the extended leadership team. There has been a focus on ensuring actions are suitably progressed and that updates are provided to the Internal Audit team in a timely manner. It is positive to note that the number of overdue actions has reduced from 36 at the time of the last committee report

to 23 at the time of this report. The actions implemented during this period have included some actions which were not yet due for implementation and were, therefore, completed ahead of target.

Internal Audit continues to work with the Council's management to ensure actions are subject to regular review.

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:

Levelling Up Fund – phase 1

The Levelling Up Fund (LUF) is designed to invest in infrastructure that improves everyday life across the UK. The Government fund aims to support town centre and high street regeneration, local transport projects and cultural / heritage assets. Melton Borough Council and Rutland County Council have been successful in a joint bid for Levelling Up Fund monies and will receive £22,950,690 to invest across the two areas.

The bid required a lead authority to formally submit the bid on behalf of all partners. Rutland County Council was the accountable body for the whole bid when it was submitted in August 2022. This means that Rutland County Council were required to enter into a Memorandum of Understanding and sign the grant agreement with DLUHC. Concurrently, Melton Borough Council needed to enter into an agreement with Rutland County Council to allow them to transfer appropriate accountability and responsibilities for those projects within Melton. Each Council should also have relevant agreements in place with external organisations party to the projects.

The scope of the audit was to provide initial assurance over the management of the Levelling Up Fund programme. This initial phase of Internal Audit work looked to provide assurances that the governance and financial reporting arrangements have been established to support programme delivery.

The audit confirmed that, in overall terms, there is a robust process for overseeing delivery of the LUF programme, with an effective governance and reporting structure in place. Some recommendations have been made to further improve the control environment as the programme progresses, including applying consistency in risk and issue logging and reporting.

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

Assurance Opinion		
Control environment	Substantial	●
Compliance	Substantial	●
Organisational impact	Low	●

S106 monitoring

Section 106 of the Town and Country Planning Act 1990 allows a Local Planning Authority to enter into a legal binding agreement or planning obligation with a landowner in association with the granting of planning permission. The agreements help make development proposals acceptable when they might otherwise be unacceptable, in planning terms. They ensure that a proposed development contributes to the needs of communities, particularly through contributions towards infrastructure and facilities such as affordable housing.

The objective of this audit was to provide assurance over the controls operating for the effective monitoring and application of s106 monies. An Internal Audit review in 2019/20 resulted in opinions of Satisfactory Assurance and flagged the need for more pro-active monitoring of trigger points. The recent audit has noted that some improvements have been made but further action is required to ensure effective monitoring takes place and s106 funds are consistently received in a timely manner.

Documented processes and procedures would support ensuring consistent approaches to initial identification, logging, monitoring, reconciliation and reporting of s106 agreements as well as supporting officers with cross functional roles and responsibilities. Documented procedures would provide assurance that key controls will be consistently applied, including in the case of officer absence.

The s106 monitoring process relies upon a number of service areas to operate effectively. There is no evidence of any clawback of funds, but it was found that there is a lack of formalised co-ordination and collaboration between key services and there is scope to both bring together key service areas to support the monitoring process but also to make better use of the Council's wider datasets to inform more regular, pro-active checks on trigger points. A s106 monitoring group could serve as a useful forum to provide assurance over the completeness and integrity of s106 records - thereby informing timely monitoring activity and ensuring the accuracy of data for Infrastructure Funding Statements.

Consistent, regular, and effective monitoring arrangements, transparency, and accountability in the use of s106 funds and greater strategic oversight would also ensure controls are operating effectively. This should include regular reporting to Senior Leadership Team and greater monitoring on balances due and balances held.

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	●

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 & exemptions	12	11					●					
Key corporate controls & policies												
Key financial controls	18	8			●							
Budgetary control	10	2			●							
Procurement compliance	14	10				●						
Growth and Regeneration – risk-based audit coverage												
UK Shared Prosperity Fund (UKSPF) and Rural England Prosperity Fund	15	11				●						Advisory work completed in Q1
Levelling Up Fund (LUF)	15	15						●	Substantial	Substantial	Low	See section 2.5
S106 agreements	15	15						●	Moderate	Moderate	Medium	See section 2.5
Environmental health	18	11						●	Moderate	Moderate	Medium	Reported in January 2024
Asset development plan	1	1							Cancelled: approved in January 2024			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	Reported in January 2024
Leisure contract management	15	13						●	Moderate	Moderate	Medium	Reported in January 2024
Housing voids management	10	12						●	Moderate	Good	Low	Reported in November 2023
Housing regulatory change	12	9					●					

Assignment	Budget	Actual	Comments
Other Client Support			
Contingency	2	-	
Advice & Assistance	3	2	
Committee Work, Support & Annual Report	15	13	
Recommendation Follow-Up	3	4	
Client Meetings, AGS/NFI & External Audit, Audit Planning	15	12	
Internal Audit Management & Development	21	16	




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	3	42%	8	33%	4	57%	15	40%
Actions due within last 3 months, but <u>not implemented</u>	2	29%	5	21%	-	-	7	18%
Actions due <u>over 3 months</u> ago, but <u>not implemented</u>	2	29%	11	46%	3	43%	16	42%
Totals	7	100%	24	100%	7	100%	38	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
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.	March 24 - The new proposal from Axis has been reviewed by the Head of IT and the Project Manager. They have confirmed that the principle is sound, subject to cyber security being addressed (this has been added to the directorate risk register). Initial testing is now underway, if successful this will be moved into a full corporate project which will report to the Helping People Board.	Director of Housing & Communities	31/12/2021	-
Business Continuity Management 2022/23	Corporate Lead for Business Continuity	Current Service Area Plans to be fully completed for the following services: <ul style="list-style-type: none"> · Planning Development; · Regulatory Services; · Property Services; · Democratic Services 'Section 4 – Reinstatement Priorities' was incomplete for all the above service areas.	March 24 - The recruitment to the new Business Continuity role through the LRF is currently under way. Some of the files and folders for business continuity have been cleansed and migrated over to SharePoint. Waiting for the appointment to the post to be made so that a consistent approach to business continuity across the councils can be implemented.	Corporate Lead for Business Continuity	31/03/2023	-

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 ten responses received during the year to date are set out below.

Aspects of Audit Assignments	N/A	Outstanding	Good	Satisfactory	Poor
Design of Assignment	-	5	4	1	-
Communication during Assignments	-	7	3	-	-
Quality of Reporting	-	6	4	-	-
Quality of Recommendations	-	5	5	-	-
Total	-	23	16	1	-

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.