

Melton Borough Council
Internal Audit Progress Report
September 2024



Introduction

- 1.1 The delegated internal audit service for Melton Borough Council has been commissioned to provide 235 audit days to deliver the 2024/25 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 2024/25 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 2025.

At the time of reporting, fieldwork is either completed or underway on 64% of assignments from the 2024/25 Internal Audit plan. 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, no surveys have been completed in respect of 2024/25 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, 24 agreed actions have been completed. At the date of reporting, there are 19 agreed actions which are overdue for implementation. An analysis of the implementation of actions is provided in Appendix 2. There are 3 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:

Information Governance

The primary aim of information governance is to establish compliance with statutory obligations set out in the UK General Data Protection Regulation (UK GDPR) and Data Protection Act 2018 (DPA 2018). The last audit of information governance was undertaken in May 2023 and resulted in a satisfactory assurance opinion. This year's audit seeks to provide assurance that appropriate controls are in place for the effective governance when processing personal data, focusing on data retention within Services and embedded awareness of information governance legislation, guidance, policies and procedures throughout the organisation.

Data retention guidance for customers and staff is available via the Council's website. The Council has a Retention Schedule which forms part of the Records Retention and Disposal Guidance and Procedures document. The Retention Schedule outlines service specific document retention periods and, audit testing identified that there is scope for a review of data retention information held within the service area specific privacy notices and the Retention Schedule to ensure data retention periods are consistent and accurate. Document retention and disposal arrangements could be strengthened through the introduction of compliance spot-checks to ensure Services manage personal data in accordance with the Records Retention and Disposal Guidance and Procedures.

Data protection and information governance online training for staff occurs every two years with 96% completion at the time of audit. However, there is a need for data protection and information governance training for Elected Members to be re-visited and for guidance documents to be added to the Elected Member area on SharePoint. The Council's Information Governance Working Group was established in 2023 with a Terms of Reference and a Programme Plan in place to support the governance arrangements. There is scope for these documents to be subject to an annual review to ensure they remain effective.

As part of the 2022/23 information governance audit eight recommendations were agreed. At the time of this year's audit all eight of these recommendations were confirmed as implemented

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

Assurance Opinion	
Control environment	Good (Green)
Compliance	Moderate (Amber)
Organisational impact	Medium (Amber)

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												
Counter fraud support – social housing pilot	6	1			●							
Key corporate controls & policies												
Key financial controls	15	-	●									
Information governance	15	13						●	Good (Green)	Moderate (Amber)	Medium (Amber)	See section 2.5
Resettlement scheme	10	9					●					
Growth and Regeneration – risk-based audit coverage												
Levelling Up Fund (LUF)	15	12				●						
Building control partnership	8	-	●									
Asset development programme	15	-		●								
Private sector housing	15	-	●									

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												
Housing allocations and homelessness applications	18	24					●					
Planned maintenance	12	9				●						
Housing repairs and voids – follow up	8	5			●							
Landlord health and safety	6	1		●								
Social housing regulatory change	20	-	●									
Rent arrears	12	-	●									

Assignment	Budget	Actual	Comments
Other client support			
Contingency	2	-	
Advice and assistance	3	3	
Committee work, support and Annual Report	15	8	
Recommendation follow-up	3	2	
Client meetings, AGS/NFI & External Audit, audit planning	15	7	
Internal Audit management and 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 (Green)	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 (Green)	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 (Amber)	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 (Red)	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 (Red)	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 (Red)	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 (Amber)	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 (Green)	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 (Red)	Action is imperative to ensure that the objectives for the area under review are met.
Medium (Amber)	Requires actions to avoid exposure to significant risks in achieving objectives for the area.
Low (Green)	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	2	40%	13	62%	9	53%	24	56%
Actions due within last 3 months, but <u>not implemented</u>	-	-	1	5%	3	18%	4	9%
Actions due <u>over 3 months</u> ago, but <u>not implemented</u>	3	60%	7	33%	5	29%	15	35%
Totals	5	100%	21	100%	17	100%	43	100%

Appendix 3: 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 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.