

Melton Borough Council
Internal Audit Progress Report
January 2025



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, work is either completed or underway on 100% 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, four 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, 17 agreed actions have been completed – of these, 5 were overdue in the November 2024 update and 12 related to actions which became due since the November 2024 update.

At the date of reporting, there are 25 agreed actions which are overdue for implementation, 16 of which were overdue at the time of the November 2024 update and 9 have become due since the November 2024 update. 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 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 update to the Committee, the following audit has been finalised:

Landlord health and safety

As a landlord, the Council has a number of crucial responsibilities to ensure the safety of its housing properties. The Social Housing Regulations further formalised and require regular reporting on a number of these compliance regimes, including annual gas safety certificates for all properties with gas supply and fire risk assessments, water safety risk assessments, asbestos surveys and passenger lift servicing for blocks/communal areas, as applicable. The Council must also ensure the timely completion of remedial actions arising from such assessments, to ensure the properties remain safe for tenants.

The Council's performance in relation to all compliance regimes is reported on a monthly basis, including against both mandatory requirements and those set within the Council's own policies and procedures. The reporting for September and October 2024 was reviewed by Internal Audit to provide assurance over monitoring arrangements. Sample testing was then conducted on randomly selected properties to confirm that the reported compliance could be verified through audit trails and evidence. In all cases tested, both for individual properties and sheltered/extra care schemes, 100% compliance was evidenced in all areas tested against mandatory requirements. The key findings can be summarised as follows:

- 100% of properties selected with gas supply had a valid gas safety certificate, by a registered Gas Safe engineer, and a record of a carbon monoxide detector;
- 100% of tenanted properties selected had records of smoke detection devices (compliant for number of floors);
- 100% of properties selected had an Electrical Installation Condition Report (EICR) dated within the last five years;
- 100% of communal areas selected had an asbestos management survey;
- 94% of properties selected had an asbestos management survey, with the only exception relating to a property where records confirmed access had been attempted and remained open;
- 100% of blocks tested had a fire risk assessment, subject to annual review and tracking of remedial actions;
- 100% of passenger lifts had evidence of bi-monthly servicing; and
- 100% of blocks tested had evidence of servicing for fire detection devices and emergency lighting.

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

Assurance Opinion	
Control environment	Substantial (Green)
Compliance	Substantial (Green)
Organisational impact	Low (Green)

2.6 Amendments to the audit plan

The Internal Audit Plan must remain subject to ongoing review throughout the financial year, to ensure that it continues to add value and focuses on the Council's key risks. Since the last update to the Audit and Standards Committee, one amendment to the plan coverage has been approved under the delegation to the s151 Officer, in consultation with the Chair of the Audit and Standards Committee. The amendment relates to the removal of the planned audit on compliance with the Social Housing Regulations and the reallocation of these audit days to an audit of compliance with procurement rules. The basis for this amendment is that the Council was subject to an inspection by the Regulator in 2024, with an outcome of C2. This independent assurance, along with the ongoing self-assessment work within the Council, provides a good breadth of assurance and insight already into the compliance with the Regulations. As such, it is considered that there would be reduced value in any internal audit work this year.

Given the changes expected to arise from the new Procurement Act, procurement is considered a higher risk area and adding this into the audit plan will enable additional coverage on the preparation for those changes. Any remaining days after the reallocation and scoping of the procurement audit will be allocated to contingency, to enable additional ad-hoc support.

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	2			●							
Key corporate controls & policies												
Key financial controls	15	1			●							
Information governance	15	13						●	Good (Green)	Moderate (Amber)	Medium (Amber)	Reported in September 2024
Resettlement scheme	10	11						●	Good (Green)	Moderate (Amber)	Low (Green)	Reported in November 2024
Procurement compliance	12	2			●							
Growth and Regeneration – risk-based audit coverage												
Levelling Up Fund (LUF)	15	15						●	Substantial (Green)	Substantial (Green)	Low (Green)	Reported in November 2024
Building control partnership	8	2			●							
Asset development programme	15	14					●					
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	25						●	Moderate (Amber)	Limited (Red)	Medium (Amber)	Reported in November 2024
Planned maintenance	12	12						●	Good (Green)	Good (Green)	Low (Green)	Reported in November 2024
Housing repairs and voids – follow up	8	8						●	Good (Green)	Good (Green)	Low (Green)	Reported in November 2024
Landlord health and safety	6	5						●	Substantial (Green)	Substantial (Green)	Low (Green)	See section 2.5
Rent arrears	12	-		●								

Assignment	Budget	Actual	Comments
Other client support			
Contingency	10	-	
Advice and assistance	3	3	
Committee work, support and Annual Report	15	11	
Recommendation follow-up	3	3	
Client meetings, AGS/NFI & External Audit, audit planning	15	12	
Internal Audit management and development	21	11	

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	1	20%	12	41%	4	50%	17	41%
Actions due within last 3 months, but <u>not implemented</u>	1	20%	10	35%	-	-	11	26%
Actions due <u>over 3 months</u> ago, but <u>not implemented</u>	3	60%	7	24%	4	50%	14	33%
Totals	5	100%	29	100%	8	100%	42	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 four responses received during the year to date are set out below.

Aspects of Audit Assignments	N/A	Outstanding	Good	Satisfactory	Poor
Design of Assignment	-	1	3	-	-
Communication during Assignments	-	2	2	-	-
Quality of Reporting	-	2	2	-	-
Quality of Recommendations	1	2	1	-	-
Total	1	7	8	-	-

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.