



MELTON BOROUGH COUNCIL

INTERNAL AUDIT UPDATE

NOVEMBER 2017

Date: 21st November 2017

Introduction

- 1.1 LGSS provides the internal audit service for Melton Borough Council and has been commissioned to provide 235 audit days to deliver the 2017/18 Annual Audit Plan and undertake other work commissioned by the client.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Governance 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 Consortium.

Performance

2.1 Will the Internal Audit Plan for 2017/18 be delivered?

LGSS is set the objective of delivering at least 90% of the Internal Audit plans to draft report stage by the end of March 2018.

At the date of reporting, six assignments have been finalised and fieldwork and planning is currently underway or complete on a further six assignments.

As such, at the time of reporting, 75% of the Audit Plan is either complete or in progress.

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?

Responses received to the Customer Satisfaction Questionnaire show that clients have rated all aspects of the audit assignments completed during the year to date as 'good' or 'outstanding'. A summary of the responses is provided in Appendix 2.

2.4 Is the Internal Audit team achieving the expected level of productivity?

As at week 31, the team had been delivering 94% productivity, against the target set of 90%.

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 Governance Committee meeting, final reports have been issued for two assignments from the 2017/18 Internal Audit Plan. The key findings arising are as follows:

Anti Social Behaviour and Community Safety

Melton Borough Council has an Anti Social Behaviour Officer who works in partnership with other agencies to reduce crime and anti social behaviour (ASB) and improve the quality of life for all in Melton Borough. Internal Audit sought to provide assurance over the effective management of this key risk for the Council, including monitoring, partnership working and initiatives.

The Council engages with the community well and demonstrates effective joint working with other agencies to tackle and reduce anti social behaviour. The Melton Community Safety Partnership Plan 2017-2020 outlines the strategic approach the partnership takes to address areas of concern. Priorities are identified and supported by action plans which outline appropriate initiatives, timescales, lead organisations and measures of success.

Clear, comprehensive guidelines on how ASB complaints (including the community trigger process) are handled and processed are documented, however these procedures have not been made available to the public, along with up to date Community Safety Plans.

Internal Audit reviewed a sample of 25 ASB complaints received since June 2016 and found all complaints were acknowledged and responded to in a timely manner and action was taken where required. Furthermore, 100% of the sample was accurately recorded on the Council's case management system (Sentinel).

A performance management framework is in place for monitoring the Council's corporate objective of tackling the root causes of offending to create safer communities; however performance indicator results relating to the reduction of ASB reports had not been recorded for 2016/17.

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	Minor	●

Safe Driving at Work

The Council has duties under health and safety law for employees who are driving for Council business. Health and Safety law applies to work activities on the road in the same way as it applies to other work activities and the Council must manage the risks to drivers as part of its health and safety arrangements. Whilst driving for work, the vehicle used would be considered as part of the employee's work environment and, as such, the Council has a duty of care to ensure that it is fit for purpose. If suitable controls are not exercised to

deliver this duty of care, the Council is at risk, in the event of a serious incident involving an employee driving at work, of prosecution, including for corporate manslaughter in the case of a fatality.

The Health and Safety Executive advises organisations to assess the risks from work-related road safety. The Council has a Driving at Work policy which sets out its approach towards ensuring the safe driving of employees whilst at work. The requirements under the health and safety legislation for on-the-road work activities are well covered in the Council's current Driving at Work policy.

The Council must ensure that the appropriate training for work-related road safety is available to all staff to equip them to recognise risks and provide practical advice on preventing and managing occupational road risks. A Driving Safety at Work online module is available on the Council's e-learning system, MIKE. However, in sample testing there was no evidence that 92% of the selected relevant employees/Members, had completed the training.

The Driving at Work Policy requires line managers to make annual checks of insurance, licence and MOT where applicable and to only approve employees' Travel Claim Forms when satisfied a valid Driver Declaration Form is held for this individual, submitted within the last 12 months, and all checks are up to date. However, the samples tested across all service areas and elected Members did not demonstrate consistent compliance with this policy. Of the 37 individuals selected, 27% had not been subject to any evidenced insurance, MOT or driver license checks in the last 12 months (this included three of the top ten highest mileage claimers from the last year). It was noted that 100% of Central Services staff had completed all the relevant checks and had signed Driver Declarations forms but no other services had consistently complied with the policy. As such, overall only 22% of the cases reviewed fully complied with the Driving at Work policy requirements and mileage claims have been paid to officers and Members who have not been subject to all relevant checks and completed declarations.

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	Limited	●
Organisational impact	Minor	●

In order to further improve the controls and compliance, six recommendations have been made and an action plan agreed with management to implement these.

Waste Contract Procurement – stage 1

Effective waste management and street cleaning supports the Council's key priority of delivering well respected and value for money customer focused services with pride and efficiency. The Council's current contract with Biffa Municipal has been in place since 2003 and was due to end on 31st March 2017. The contract was extended to 30th September 2018 to provide sufficient time to explore a range of options for future service delivery.

The project to consider options for the future provision of waste and street cleaning services was initiated in August 2014. Initial discussions focused on potential partnership working with neighbouring Councils, although this proved unsuccessful primarily due to incompatible timetables. In March 2016 members of the Rural, Economic and Environmental Affairs (REEA) Committee approved the publication of a Prior Information Notice (PIN) in order to assess market interest and the nature of services likely to be available. Following a positive response to the PIN, in March 2017 REEA approved commencement of a formal procurement exercise using a competitive dialogue approach with the aim of developing a suitable solution to meet the Council's service and financial objectives.

At the time of reporting it was evident that the project was being well managed and remained on course to procure a new contract to coincide with expiry of the current arrangements. There had been some slippage in the timetable due to delays in finalising the service specification and contractual conditions, although officers are confident that the timetable can be flexed to ensure no impact on the proposed contract award date. The project budget for consultancy support is likely to be significantly over-spent largely due to the level of market interest exceeding initial expectations. Options for financing the overspend will be reported to REEA in due course.

Recommendations were made to ensure that the staff resources required for all remaining stages of the project have been clearly quantified and allocated and also to ensure more thorough completion of the risk log. It is understood that these recommendations have already been actioned.

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	Minor	●

In order to further improve the controls and compliance, two recommendations were made and an action plan agreed with management to implement these.

Internal Audit has agreed five recommendations with management to further strengthen the control framework.

Members can request copies of all final Internal Audit reports from the Head of Internal Audit or Head of Central Services at any time.

2.6 Are clients progressing audit recommendations with appropriate urgency?

Since the last Committee meeting, 12 actions from audit reports have been completed by officers. At the date of reporting, there are 24 agreed management actions which are overdue for implementation. Reasons have been provided and revised dates for implementation have been agreed, where appropriate. An analysis of the implementation of actions is provided in Appendix 3. Of the overdue actions, three are of a 'high' priority and have been overdue for more than three months – as such, full details are provided in Appendix 4.

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												
Cyber Security	15	0.3		●								
Whistleblowing training	3	3						●	N/A			Training delivered
Key Corporate Controls & Policies												
Key Financial Controls	15			●								
Procurement Compliance	10			●								
Data Management	15	18						●	Satisfactory	Satisfactory	Moderate	
Safe Driving at Work	3	4						●	Good	Limited	Minor	
Corporate Objective: Place												
Waste Contract Procurement (stage 1)	12	8.1						●	Good	Good	Minor	
Development Control	15	4.6			●							
Corporate Objective: People												

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Leisure Vision Phase 1	10	0.7			●							
Leisure Vision Phase 2 (embedded)	15	0.9			●							
Melton Lottery	5	4.9						●	Satisfactory	Satisfactory	Minor	
Anti Social Behaviour & Community Safety	12	14.4						●	Good	Good	Minor	
Me and My Learning	12		●									
Corporate Objective: Agile Council												
Transformation Programme (Consultancy)	12		●									
Housing Benefits	14	1.1			●							
Out of Hours	12	2.2			●							

Assignment	Budget	Actual	Comments
Other Client Support			
Advice & Assistance	2	3.4	
Committee Work, Support & Annual Report	15	5.3	
Recommendation Follow-Up	3	1.5	

Assignment	Budget	Actual	Comments
Other Client Support			
Client Meetings, AGS/NFI & External Audit, Audit Planning	15	4.1	
Internal Audit Management & Development	21	5.5	

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 are minimal control weaknesses that present very low risk to the control environment.	The control environment has substantially operated as intended although some minor errors have been detected.
Good ●	There are minor control weaknesses that present low risk to the control environment.	The control environment has largely operated as intended although some errors have been detected.
Satisfactory ●	There are some control weaknesses that present a medium risk to the control environment.	The control environment has mainly operated as intended although errors have been detected.
Limited ●	There are significant control weaknesses that present a high risk to the control environment.	The control environment has not operated as intended. Significant errors have been detected.
No ●	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational Impact		
Level		Definition
Major	●	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.
Moderate	●	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.
Minor	●	The weaknesses identified during the review have left the Council open to low risk. This could have a minor 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
Essential	●	Action is imperative to ensure that the objectives for the area under review are met.

Important		Requires actions to avoid exposure to significant risks in achieving objectives for the area.
Standard		Action recommended to enhance control or improve operational efficiency.

Appendix 2: Customer Satisfaction

At the completion of each assignment, the Auditor issues a Customer Satisfaction Questionnaire (CSQ) 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 responses received in the year to date are set out below.

Aspects of Audit Assignments	N/A	Outstanding	Good	Satisfactory	Poor
Design of Assignment		1	1		
Communication during Assignments		1	1		
Quality of Reporting		1	1		
Quality of Recommendations			2		
Total	-	3	5	-	-

Appendix 3: 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 due and implemented since last Committee meeting	4	50%	5	33%	3	23%	12	33%
Actions due within last 3 months, but <u>not implemented</u>	1	13%	6	40%	4	31%	11	31%
Actions due <u>over 3 months</u> ago, but <u>not implemented</u>	3	37%	4	27%	6	46%	13	36%
Totals	8	100%	15	100%	13	100%	36	100%

Appendix 4: 'High' Priority actions overdue for more than three months

Audit Title and Year	Service Area	Issue / Outstanding Action	Update and Reason for Revised Implementation Timescale	Officer Responsible	Original Date	Revised Date
Staff Development & Training 2016/17	Communications /HR	Mandatory training – monitoring of completion	There has been a problem with the reporting feature in MIKE - this is currently being resolved.	Communications Manager	30/04/2017	31/12/2017
Disclosure and Barring Service 2016/17	Cross cutting	DBS posts – agree a list of post which must be subject to DBS checks before appointment	Report has been presented to SMT which has raised some queries. These will be investigated and will then return to SMT for approval.	Communications Manager	30/06/2017	31/12/2017
Disclosure and Barring Service 2016/17	Regulatory Services	Taxi Licence renewals – DBS checks / update service	Revised policy produced, consulted upon and is going to Licensing & Regulatory Committee on 6th November. This will provide for annual checks of DBS between renewal dates.	Communications Manager	30/06/2017	30/11/2017

Appendix 5: Limitations and Responsibilities

Limitations inherent to the internal auditor's work

The Consortium is undertaking a programme of work agreed by the council's senior managers and approved by the Governance 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 the Consortium 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 the Consortium's attention. As a consequence, the Governance 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 the Consortium'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.

The Consortium 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.