



**MELTON BOROUGH COUNCIL
INTERNAL AUDIT ANNUAL REPORT
2017/18**



1. Background

1.1 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual Internal Audit opinion and report that can be used by the organisation to inform its annual governance statement. The Standards specify that the report must contain:

- an Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
- a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
- a statement on the extent of conformance with the Standards including progress against the improvement plan resulting from any external assessments.

2. Head of Internal Audit Opinion 2017/18

2.1 This report provides a summary of the work carried out by the Internal Audit service during 2017/18 and the results of these assignments. Based upon the work undertaken by Internal Audit during the year, the Head of Internal Audit's overall opinion on Melton Borough Council's system of internal control is that:

It is my opinion that **Satisfactory Assurance** can be given over the adequacy and effectiveness of the Council's control environment operating for 2017/18. This control environment comprises of the system of internal control, governance arrangements and risk management. The level of assurance remains at a generally consistent level from 2016/17.

Controls relating to the key financial systems which were reviewed during the year were concluded to be generally operating effectively, with an opinion of at least Satisfactory Assurance given over the adequacy and compliance with the key controls.

Of the internal audit assignments delivered during 2017/18, two have resulted in an opinion of less than Satisfactory Assurance. A number of recommendations have been made to strengthen the control environment in these areas.

Internal Audit has not been made aware of any further governance, risk or internal control issues which would reduce the above opinion.

No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

- 2.2 The basis for this opinion is derived from an assessment of the range of individual opinions arising from assignments from the risk-based Internal Audit plan that have been undertaken throughout the year, as summarised in Table 1 and further detailed in Table 3. An overview of all Internal Audit assignments and the basis for the resulting opinions is provided in Appendix 1.
- 2.3 This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing any control weaknesses. The implementation of audit recommendations during the year has been reasonable overall, with 75% of actions from 2017/18 reports which were due for implementation being completed during the year, as summarised in Table 4. Thereby, providing assurance that areas of weakness in the control environment are being suitably addressed.

A summary of Audit Opinions is shown in Table 1:

Table 1 – Summary of Audit Opinions 2017/18:

Area	Substantial	Good	Satisfactory	Limited	No
Financial Systems	-	3	1	-	-
Governance & Counter Fraud	-	2	-	-	-
Service Delivery Risks & Best Value	3	7	10	2	-
Total	3	12	11	2	0
Summary	11%	43%	39%	7%	0%

3. Review of Audit Coverage

Audit Opinion on Individual Audits

- 3.1 The Committee is reminded that the following assurance opinions can be assigned:

Table 2 – Assurance Categories:

Level of Assurance	Definition
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.

Level of Assurance	Definition
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.

3.2 Audit reports issued in 2017/18, other than those relating to consultancy support, resulted in the provision of one of these audit opinions. All individual reports represented in this Annual Report are final reports and, as such, the findings have been agreed with management, together with the accompanying action plans. The only exception relates to the Cyber Security audit, for which the draft report is currently with management to agree the action plan.

Summary of Audit Work

3.3 Table 3 details the assurance levels resulting from all audits undertaken in 2017/18 and the date of the Committee meeting at which a summary of the report was presented.

Table 3 – Summary of Audit Opinions 2017/18:

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Financial Systems and Controls				
Key Financial System Controls	Good Assurance	Good Assurance	Minor	March 2018
Procurement Compliance	Good Assurance	Satisfactory Assurance	Minor	March 2018

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Governance & Counter Fraud				
Cyber Security	Good Assurance	Good Assurance	Minor	June 2018
Whistleblowing Training	Consultancy			N/A
Service Delivery				
Data Management	Satisfactory Assurance	Satisfactory Assurance	Moderate	September 2017
Safe Driving at Work	Good Assurance	Limited Assurance	Minor	November 2017
Waste Contract Procurement	Substantial Assurance	Good Assurance	Minor	November 2017
Development Control	Limited Assurance	Satisfactory Assurance	Moderate	January 2018
Leisure Vision Phase 1	Satisfactory Assurance	Satisfactory Assurance	Minor	June 2018
Leisure Vision Phase 2 – Embedded Assurance	Good Assurance	Good Assurance	Minor	March 2018
Melton Lottery	Satisfactory Assurance	Satisfactory Assurance	Minor	September 2017
Anti-Social Behaviour and Community Safety	Good Assurance	Good Assurance	Minor	November 2017
Me and My Learning	Good Assurance	Satisfactory Assurance	Minor	June 2018
Housing Repairs	Consultancy			March 2018
Housing Benefits	Satisfactory Assurance	Satisfactory Assurance	Moderate	January 2018
Out of Hours Standby Service	Substantial Assurance	Substantial Assurance	Minor	January 2018

3.4 Outlined in Appendix 1 is a summary of each of these audits that has been finalised during the year. The Committee should note that the majority of these findings have previously been reported as part of the defined cycle of update reports provided to the Governance Committee.

Implementation of Internal Audit Recommendations

3.5 Internal Audit follow up on progress made against all recommendations arising from completed assignments to ensure that they have been fully and promptly implemented. Internal Audit trace follow up action and attend the Council's Management Team meeting on a quarterly basis to provide updates on implementation. The Head of Internal Audit provides a summary at each Governance Committee on the progress made and actions outstanding. Details of the implementation rate for audit recommendations made during 2017/18 are provided in Table 4.

Table 4 - Implementation of Audit Recommendations 2017/18:

	Category 'Essential' recommendations	Category 'Important' recommendations	Category 'Standard' recommendations	Total
Agreed and Implemented	2	13	15	30 (56%)
Agreed and not yet due for implementation	1	8	4	13 (25%)
Agreed and due within last 3 months, but not implemented	-	4	2	6 (11%)
Agreed and due over 3 months ago, but not implemented	1	2	1	4 (8%)

TOTAL	4	26	22	53 (100%)
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3.6 In addition to the ten overdue actions from 2017/18 audit reports, a further five actions remain overdue from 2016/17 audit reports. A summary of all overdue recommendations is provided in Table 5:

Table 5 - Summary of Overdue Recommendations as at 31st March 2018

Audit Title	Year reported	High		Medium		Low	
		Over 3 months	Under 3 months	Over 3 months	Under 3 months	Over 3 months	Under 3 months
Development Control	2017/18						1

Data Management	2017/18			2	3	1	
Safe Driving at Work	2017/18	1			1		1
Staff Training & Development	2016/17			2			
Fixed Assets	2016/17			2			
Financial System Key Controls	2016/17			1			
Totals		1	0	7	4	1	2

3.7 The level of implementation is reported to the Governance Committee throughout the year and monitored by Senior Management Team on a quarterly basis.

Internal Audit Contribution

3.8 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to management and members via its programme of work and also offers support and advice to assist the Council in new areas of work.

3.9 Delivery of 2017/18 Audit Plan

3.9.1 The Internal Audit team have delivered **100%** of the agreed assignments within the 2017/18 Audit Plan.

3.10 Internal Audit Contribution in Wider Areas

3.10.1 During 2017/18, the Council has actively engaged with Internal Audit to deliver wider benefits and add further value, beyond the assignments commissioned within the Audit Plan. Key examples of areas where Internal Audit has been able to add further value to the organisation during the financial year are set out within Table 7.

Table 7 – Internal Audit Contribution

Area of Activity	Benefit to the Council
Cyber-crime session held with Senior Management Team, organised by Internal Audit. Local cyber-crime lead from Leicestershire Police attended to alert management to the risks and to test out assumptions and plans.	Awareness of significant, emerging risk areas. Internal Audit are now working with the Council to develop an action plan and strengthen controls in this area. Also, provides access to good working relationships built between Internal Audit

Area of Activity	Benefit to the Council
	and the local economic crime unit.
Counter fraud assessment against the CIPFA Code of Practice and development of a Counter Fraud action plan. This is now subject to quarterly review by the Head of Internal Audit and s151 Officer and six monthly review by the Governance Committee and SMT.	Ensuring counter fraud procedures are robust and subject to continuous review against best practice.
Fraud investigation work which led to the successful conviction of two individuals under the Fraud Act. Provision of subsequent promotion of the outcome to act as a deterrent and promote the culture internally.	Benefiting from access to experienced fraud investigator and relationships established with Leicestershire Police Economic Crime Unit. This enabled an efficient, thorough investigation and ensures that the Council demonstrates a zero tolerance to fraud. Recovery of monies is being sought.
Fraud risk assessment completed as part of the audit planning process.	Ensuring all fraud risks are suitably assessed and proportionate assurances are sought on a regular basis over the effective management of these risks.
Supporting on ad-hoc enquiries and investigations into suspected fraud or malpractice.	<p>Easy and prompt access to experienced investigating officer, enabling such matters to be resolved swiftly and to a professional standard.</p> <p>Good partnership working built with the HR team to support on internal investigations.</p>
Delivering testing on key controls in consultation with External Audit to assist them in forming their opinion on the Annual Accounts and maintaining good working relationships with the external auditors.	Reduce audit burden, saving costs.
Delivering staff briefing session on ethical governance and counter fraud policies and leading on a Fraud Awareness Week.	Provide all staff with an understanding of the ethical policies and how declarations should be made. Thereby, embedding a zero tolerance culture to fraud and corruption and confidence in whistleblowing procedures.

Area of Activity	Benefit to the Council
Ad hoc advice on financial system controls.	To assist in identifying and highlighting potential risks and control weaknesses and strengthen internal controls.
Responding to whistleblowing disclosures, as a key point of contact for whistleblowers.	Providing staff and stakeholders with an independent point of contact to raise any concerns in confidence and ensure these are handled in line with the Council's policy.
Maintaining the Council's fraud log and counter fraud action plan.	Professional support on recording referrals and embedding best practice in counter fraud arrangements.

4. Performance Indicators

- 4.1 Internal Audit maintains several key performance indicators (KPIs) to enable ongoing monitoring by senior management and the Governance Committee. Outturns against these indicators in relation to work delivered for Melton Borough Council are provided in Table 8:

Table 8 – Internal Audit KPIs 2017/18

Indicator description	Target	Actual
Delivery of the agreed annual Internal Audit Plan, to at least draft report stage, by 31 st March 2018	90%	94%
Final delivery of the agreed annual Internal Audit Plan	100%	100%
Customer Feedback – rating on a scale of 1 to 4 (average) Where: 1 = Poor, 2 = Satisfactory, 3 = Good and 4 = Outstanding	3.2	3.5

5. Professional Standards

- 5.1 The Public Sector Internal Audit Standards (PSIAS) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.
- 5.2 The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector;
- Set basic principles for carrying out internal audit in the UK public sector;
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

5.3 A detailed self-assessment against the PSIAS has been completed by the Head of Internal Audit, a copy of which can be provided on request. The outcome of the assessment was that the activities of the Internal Audit service are in general conformance with the Standards.

Appendix 1: Summary of Internal Audit Work Undertaken for 2017/18

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
Financial Systems					
Key Financial System Controls	Good	Good	Minor	To provide assurance that sufficiently robust controls are in place, and operating consistently, to ensure that the risks identified are being managed effectively.	<p>A review of Melton Borough Council's financial systems was undertaken to provide assurance that sufficiently robust controls are in place, and operating consistently. The audit focused on key controls relating to creditor payments, housing rents, and council tax and national non-domestic rates (NNDR) discounts, exemptions and reliefs.</p> <p>Audit testing confirmed that controls for the creditors' function are robust and operating effectively in practice. Furthermore, sample testing of key controls in relation to purchase invoices, credit notes, BACS payments, control account reconciliations and aged creditor reviews all confirmed 100% compliance with controls.</p> <p>The Council use the Northgate system to administer housing rents. A review of user access to this system identified that nine leavers had not had their access removed, however this access was reviewed during the audit and has now been revoked.</p> <p>Sufficient processes are in place to ensure that rental properties acquired are added to the rent roll without delay and that properties disposed of are removed from the rent roll promptly. However, it would be best practice to perform an annual reconciliation of the rent roll (Northgate) to legal property records to ensure that rent is being charged for all properties</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>owned by the Council.</p> <p>There are appropriate arrangements in place to ensure that approved rent decreases are applied accurately to all tenancies.</p> <p>The Council has a well-defined process for the recovery of housing rents. Testing confirmed that appropriate action was taken where required and the recovery of debt is reviewed regularly by officers. Income is collected and allocated to accounts in a timely manner and unallocated payments are reviewed daily.</p> <p>Local guidance on the frequency on which council tax and NNDR reliefs, discounts and exemptions should be reviewed and the type(s) of evidence that is accepted for each application is not documented. This can potentially lead in inconsistent application of processes, which could increase the potential risk of fraud.</p>
Procurement	Good	Satisfactory	Minor	Testing of a small sample of goods and services procured across the council for compliance with contract procedure rules.	The Council's Contract Procedure Rules (CPRs) are designed to ensure probity and value for money when procuring goods, works or services that meet the needs of local residents and comply with legal and regulatory requirements. This audit was carried out to provide assurance over compliance with the Council's Contract Procedure Rules to ensure contracts are procured in a fair and transparent manner and achieve value for money.

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>It was reported by Internal Audit last year that contract registers were incomplete and officers agreed to undertake a review within each service area ensuring contracts register is complete and up to date. Based on this year's review there remains uncertainty over the completeness and accuracy of published contract registers.</p> <p>A sample of contracts was reviewed against the Council's Contract Procedure Rules to seek assurance that the CPR's requirements are consistently adhered to by different service areas. Overall, there is good assurance that value for money is being achieved in most cases and the risk of fraud/corruption is being minimised. However, there remains a lack of evidence for compliance with some aspects of CPRs. In particular, recording the receipt and opening of tenders, bidder notifications and making sure the correct procurement thresholds are applied based on the overall value of contract. Also, recording of the evaluation of bids could be strengthened to improve the audit trail. Similar issues were raised in last year's audit but, due to the timing of the work, most of the recommendations, such as staff training and development of new forms, were inevitably not implemented in time to have a significant impact on 2017/18 procurements. Consequently, the recommendations have not been repeated but evidence of improvement will be expected in future audits.</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					It should be noted that the scope of the audit was limited due to evidence and documentation not being provided to Internal Audit in respect of two contracts that had been procured by external agents on behalf of the Council. Given the requirement for officers to ensure that agents acting on the Council's behalf comply with the Council's Procedure rules, Internal Audit would expect that all procurement documentation ought to be readily available.
Governance & Counter Fraud					
Cyber Security	Good	Good	Minor	To provide assurance that the Council is taking proactive steps to address the risks of a cyber-attack – including IT system controls, staff awareness and incident planning.	<p>Cyber attacks pose a serious risk to all organisations and the implications of an attack include disruption to service delivery, significant financial costs and reputational damage. This risk has clearly been recognised by the Council and by the Leicestershire ICT Partnership (LICTP) and a number of measures have been taken in the last twelve months to strengthen the resilience of the ICT networks across the local authority partners.</p> <p>The Council's network benefits from a number of preventative and detective controls including firewalls, anti-virus protection and a consolidated protective monitoring and intrusion detection system which was rolled out in 2017. This new system has complemented the existing systems - which were already monitoring network performance and providing some intrusion detection functionalities - and enabled more robust systems and greater intelligence to be gathered. The use of this software is being further developed over time and the Security Working Group has an action plan to build upon this and continue to</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>develop reporting functionality. This has already resulted in much greater transparency and is enabling focus to be given to areas for improvement.</p> <p>The Council's internal and external networks are subject to penetration testing on an annual basis and remedial plans are developed to address any vulnerabilities identified. Actions arising from these plans are formally monitored.</p> <p>Comprehensive disaster recovery plans are in place, available in a number of locations, and have been subject to recent testing. Responsibilities of SopraSteria, as the provider, and the partners, in relation to maintaining procedures and the knowledge base and exercising control over network access have been clearly documented. Some areas for improvement have been identified in relation to clarifying the procedure for reviewing firewall rules; monitoring privileged user access; and ensuring consistent system administration arrangements.</p> <p>There is potential to deliver training to staff on cyber security to ensure they are alert to the risk and aware of the key behaviours they must maintain to keep the Council's systems and data safe. It is noted that elected Members have received some high level training and are being required to sign acceptance of the protocol on IT security as part of the rollout of Office 365.</p>
Service Delivery & Best Value					
Data Management	Satisfactory	Satisfactory	Moderate	To provide assurance over the Council's procedures and controls to ensure data	The Data Protection Act 1998 (DPA) requires all organisations that handle personal information to comply with a number of important principles regarding privacy and disclosure. Anyone

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
				<p>is held, handled and disposed of in a secure manner and in compliance with the Data Protection Act and any data loss incidents are suitably reported and acted upon.</p>	<p>who processes personal information must comply with eight principles of good information handling. Internal Audit reviewed the Council's procedures and controls to ensure personal data is held and handled in a secure manner and any data loss incidents are suitably reported and acted upon.</p> <p>General Data Protection Regulations (GDPR) will apply in the UK from 25th May 2018. The Council is actively taking steps to implement controls and processes to ensure compliance. An indicative implementation plan has been designed, covering all key areas of the GDPR and regular reviews are taking place.</p> <p>Policies on data protection, data retention and disposal and ICT security are in place and readily available to staff however Internal Audit testing highlighted that compliance with policies is inconsistent and further communication and training is required to remind officers of where policies can be found and the importance of compliance. Online data protection legislation is mandatory for all employees however there was no evidence that 80% of the audit sample had completed the training.</p> <p>Access to paper records are controlled well on and off site, however access to electronic records held on network folders is not routinely reviewed and could potentially put the council at risk of not complying with data protection legislation.</p> <p>Procedures for logging and handling Subject Access Requests (SAR) require improvement. Internal Audit found incomplete and inconsistent records of SARs and SAR information provided to</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>the public on the Council's website could be enhanced.</p> <p>Controls over data breach management and network user access controls are robust and operating effectively.</p>
Safe Driving at Work	Good	Limited	Minor	<p>To review compliance with Council policies in relation to checks on staff who are driving on Council business and claiming mileage (i.e. valid insurance, MOT etc). Compliance testing and consultancy advice on procedures adopted at other authorities to support safe driving at work, as required.</p>	<p>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.</p> <p>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.</p> <p>The Council must ensure that the appropriate training for work-related road safety is available to all staff to equip them to</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>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.</p> <p>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.</p>
Waste Contract	Substantial	Good	Minor	To provide assurance that adequate controls exist to	Effective waste management and street cleaning supports the Council's key priority of delivering well respected and value for

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
Procurement				<p>ensure that the project is suitably managed and risks are appropriately identified and mitigated.</p>	<p>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.</p> <p>The project to consider options for the future provision of waste and street cleaning services was initiated in August 2014. Following completion of an initial exercise to assess market interest the formal procurement process commenced in March 2017 using the competitive dialogue approach. It was agreed that Internal Audit would carry out an 'embedded assurance' review of the project to assess progress and governance arrangements at key stages in its life cycle and provide reports at the appropriate time. The first stage review was conducted in summer 2017 and the draft report issued in September 2017 (finalised November 2017).</p> <p>Internal Audit's stage one report concluded that the project was being well managed and made just two recommendations for improvement. Both recommendations have been implemented and overall governance arrangements remain sound. There has been some minor slippage in the timetable but this has been managed effectively to ensure no impact on the proposed contract start date. Evaluation of final bids has recently been completed and savings targets are expected to be achieved or exceeded. Authority is being sought from Melton Economic and Environmental Affairs Committee (MEEA) and Full Council to award preferred bidder status, with final contract optimisation arrangements delegated to the Chief Executive and Leader of the</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>Council.</p> <p>As previously reported, the project management budget for consultancy support has significantly exceeded initial estimates primarily due to a greater than expected market interest leading to more work to support additional rounds of dialogue, assessment, evaluation and moderation. Consequently, MEEA have agreed to recommend Council approval of a supplementary estimate of £99k, increasing the project budget to £159k. Officers are confident that the revised budget will be sufficient to see the project through to completion.</p>
Development Control	Limited	Satisfactory	Moderate	<p>To provide assurance over compliance with statutory requirements, regulations and best practice, timely collection of fee income and that planning applications are suitably processed and evaluated. Not subject to recent independent review.</p>	<p>Development control is the process through which the Council manages changes in the use and appearance of the local environment and delivers the development and infrastructure the Borough requires. It operates within a complex legal and regulatory framework and is required to deliver outcomes to a range of stakeholders with differing priorities and expectations. Poor decisions can have long-term consequences and significant financial implications.</p> <p>The development control team has undergone considerable change and turnover of staff in the last 12-18 months. This has stabilised recently but the loss of valuable experience and local knowledge will inevitably impact on operational efficiency. A report by the Planning Advisory Service in December 2016 identified several inefficiencies and made a number of recommendations for improvement. Progress has been made but has been slow because of the budget setting timetables on which some of the proposed measures depended and staffing</p>

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					<p>changes, particularly the corporate decision not to replace the manager with direct and dedicated responsibility for the service area. Steps are now being taken to improve and streamline processes wherever possible and this is starting to bear fruit. However, there remains considerable scope to improve the speed and efficiency of validation and administrative processes through greater automation and removal of unnecessary manual tasks.</p> <p>Arrangements for the collection of fees are sound and sample testing confirmed that the correct fee had been calculated and received in all cases.</p> <p>Performance against national targets for speed of decisions shows an improving trend but remains below the national average for all except major applications. Moreover, the basis for collection and recording of statistics does not comply with government guidance meaning that reported performance is likely to be over-stated. Formal monitoring and reporting of quality focuses largely on the review of appeal decisions, although agent forums have recently been reinstated and plans are in place for periodic tours of the borough to reflect on the outcome of decisions. Performance reporting to the planning committee has slipped, however, and there is scope to develop a broader range of quality indicators going forward.</p>
Leisure Vision Phase 1	Satisfactory	Satisfactory	Minor	To provide assurance over the completion of the Phase 1 project – including compliance with key	In April 2015, the Policy, Finance and Administration Committee approved the initiation of phase 1 of the Melton Leisure Vision Project and the allocation of a £90,000 budget for delivery of the improvements required. This budget was subsequently increased to £140,000 with monies from the Football

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
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				<p>project controls. Assurance sought by Governance Committee.</p>	<p>Foundation. The objective of phase 1 was to enable the Melton Mowbray Football Club to be based at the King Edward Site and to do so a number of Football Association requirements needed to be satisfied.</p> <p>In 2016/17, an overspend against the initial capital budget was reported and a consultancy review was undertaken by Internal Audit in the reasons for the financial variances and highlighted a number of areas of weakness in the Council's project management. This 2017/18 review was designed to provide assurance over the successful closure of the phase 1 project and implementation of the lessons learnt from the 2016 review.</p> <p>A closure report has been produced for the project and this reflects upon what went well on the project and where lessons should be learnt. The project has now transferred smoothly to business as usual and the leisure facilities are in use and at the required standard to enable the football club to meet the level 6 specification.</p> <p>Following the last audit review, the monitoring of financial expenditure was strengthened and the Finance team supported on accurate monitoring of commitments and funding requirements. It was confirmed that additional expenditure was required on lighting and seating to fully meet the level 6 requirements. It was intended that additional funding would be sought from the Football Association to support £45k of this estimated additional £60k spend. The then Chief Executive approved this additional expenditure in September 2016, at which point there was an assumption that Football Association</p>

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					grant monies could be applied for, but this had not been confirmed as certain. The risk of the funding not being received was recognized within the ongoing project management and specifically highlighted in an update on capital funding at a meeting of the Policy, Finance and Administration (PFA) Committee in April 2017. Ultimately, it has now been confirmed that it is not possible to obtain grant funding and the full spend has been charged to the Council's capital Leisure Vision budget, albeit some saving has been achieved on the estimated costs. This has been transparently reported and recognised in financial update reports.
Leisure Vision Phase 2 – Embedded Assurance	Good	Good	Minor	To provide assurance throughout the Phase 2 project on compliance with key controls and good practice and ensuring value for money is achieved through procurement exercises. Assurance sought by Governance Committee.	<p>In 2017, the Council commenced work on Phase 2 of the Leisure Vision project. This phase of the project was established to secure the ongoing operation of the Melton Sports and Leisure Village and potential future development involving the design, build, operation and maintenance of leisure facilities including a community stadium.</p> <p>A comprehensive competitive dialogue process was undertaken by the Council, engaging a number of potential operators and exploring options for future development of the facilities. Given the predicted value of the contract and the application of competitive dialogue, it is of assurance that procurement and finance professionals have been engaged in key stages. The Invitation to Submit Detailed Solutions (ISDS) stage highlighted a number of future opportunities but also concerns from all bidders regarding the affordability of the new development in the current environment (i.e. competition, infrastructure) and, as such, it has been proposed that no further development be</p>

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					<p>planned at this point. An informed decision has therefore be made that the wider, procurement process for a Design, Build, Operation and Maintenance (DBOM) contract should no longer progress at this point and will be deferred for longer term planning and development. A contract for the ongoing management of the facilities had been an option in the procurement process, for which bids were invited, and a recommendation has been approved by Full Council for the award of this contract, which should generate savings for the authority.</p> <p>The project's governance and decision making arrangements were clearly established at the outset and evidence provided demonstrates compliance with these during the project to date. Risk identification at the initiation stage was comprehensive and well documented and project highlight reports have been provided detailing progress and matters arising. Some areas for improvement in relation to ongoing recorded risk management have been discussed with management.</p>
Melton Lottery	Satisfactory	Satisfactory	Minor	To provide assurance over the management of the lottery, as this is a new area for the Council supporting local organisations. To ensure suitable controls are in place and being exercised to manage risks involved in	<p>The Council established a local community lottery in November 2016 to support the voluntary and community sector and help to ease the financial strains on the Council. The lottery is operated by an external management company although the Council controls the process for approving participating community organisations. Strong controls are essential to ensure value for money and to minimise the risk of fraud and corruption.</p> <p>The Council has established formal terms and conditions setting</p>

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				<p>this initiative.</p>	<p>out the eligibility criteria for organisations to participate in the lottery. Testing of a sample of applications confirmed that evidence was available to support the decision to reject or approve the organisations in most cases. However, documentation and record keeping could be improved to ensure there is a full audit trail of the application and decision making process. There is an intention to periodically review all participating organisations, although the details have not yet been formalised.</p> <p>Appropriate arrangements are in place to review and approve the payment of lottery proceeds, although at the time of audit no VAT invoices have been received from the lottery company for their management fee. Consequently, although the sums are relatively small at this stage, the Council's financial records are likely to be misstated and VAT cannot be reclaimed.</p>
Anti-Social Behaviour and Community Safety	Good	Good	Minor	<p>To provide assurance over the effective management of this key risk for the Council, including monitoring, partnership working and initiatives. Also highlighted on Audit Plans at other sites in the partnership – opportunity for joint review to share good practice.</p>	<p>Melton Borough Council has an Anti-Social Behavior 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.</p> <p>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</p>

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					<p>supported by action plans which outline appropriate initiatives, timescales, lead organisations and measures of success.</p> <p>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.</p> <p>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).</p> <p>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.</p>
Me and My Learning	Good	Satisfactory	Minor	To provide assurance over the effective management of the service including case management, referrals, monitoring and	Me and My Learning (MAML) provides support to enable individuals to become independent and, wherever possible, move into sustainable employment. It brings partner organisations together to provide joined-up support to increase the chances of a successful outcome. The service has been operational since 2014/15 and was fully grant funded for the first

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				<p>benefits realisation.</p> <p>Significantly increased HRA contribution and revised structure, and effective delivery supports Council's People objectives.</p>	<p>two years. In April 2016 grant funding ceased and in 2017/18 the net service cost per the budget book is £254,160 - financed 30% from the HRA and 70% from General Fund (Council Tax). Management is seeking assurances that the service provides value for money and is delivering the expected outcomes.</p> <p>Case management arrangements are generally sound. All referrals are assessed in a clear and structured way and allocated to one of a small team of Mentors with a good mix of skills and experience to support service users effectively. Closer working with the Customer Services Team is being developed to increase capacity and resilience and there are good working relationships and information sharing with partner organisations. Management and supervision arrangements are robust with regular caseload reviews, audits and mentor observations. Most cases are recorded and managed using an electronic case management system and sample testing confirmed that there was a clear record of the services provided which are directly linked to the original assessment and provide a good picture of the service user's 'journey' towards independence. However, only a minority of cases are recorded on the Council's own case management system, the majority being recorded and managed under contracts for services commissioned by other organisations. Consequently, there are inevitably differences in the way that services are delivered and managed and there is scope to improve the clarity of actions and outcomes in some cases.</p> <p>Corporately, the Council does not prepare individual service plans. Whilst this issue is not unique to the Me and My Learning Service, it does make it more difficult to demonstrate a clear link</p>

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					<p>between service objectives and corporate priorities. However, Internal Audit is aware that a corporate re-prioritisation exercise is planned for 2018/19 in response to the recent Peer Review which should provide an opportunity to clarify the link between individual services and overall corporate aims and objectives. There are a range of service performance indicators that provide a reasonable overview of performance and outcomes. However, there are currently no performance indicators to demonstrate the services' direct impact on Council finances (e.g. reductions in arrears) and other evidence of value for money is largely anecdotal or based on individual case studies and broad economic assessments related to the public sector as a whole.</p>
Housing Benefits	Satisfactory	Satisfactory	Minor	<p>To provide support and assurance over the housing benefits quality assurance processes for new and changed claims in light of ongoing benefits subsidy qualifications.</p>	<p>The Council spends approximately £9 million per annum on Housing Benefits; the bulk of which is reclaimed in government grant through the Housing Benefit Subsidy Claim. Given the large sums of money involved and potential impact on its financial standing, it is important that the Council has robust and effective controls to minimise the risk of fraud and error. In common with other Councils, Melton's subsidy claim has been qualified by the external auditor in recent years due to processing errors and incorrect classification of overpayments.</p> <p>Internal Audit found that the Council has clear and comprehensive process maps and procedure notes for most core functions, including guidance on evidence requirements and assessment of claims. Testing confirmed that system parameters have been accurately updated, although last year's audit recommendation to retain evidence of the update and checking of parameters has not yet been implemented. Arrangements for</p>

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					<p>the verification and accurate assessment of claims are generally robust and there is an appropriate separation of duties for preparation and approval of rent allowance payments. However, monthly reconciliations are not being carried out to ensure that all transactions are fully and accurately reflected in the housing rents, council tax and main accounting systems. This control lapsed following the departure of the former Benefits Team Leader.</p> <p>The level of outstanding overpayments is relatively high compared to other councils and recovery arrangements are not fully developed. Insufficient priority and resources have been allocated to recovery of outstanding sundry debtor accounts and there are a large number of overpayments in the benefits system related to inactive cases where the debt is not being pursued. Temporary resources have been allocated to review, write-off or recover these balances where possible, although longer-term arrangements are yet to be established.</p> <p>Quality control arrangements are operating effectively although overall levels of errors detected have increased this year and there remain some recurring themes (e.g. assessing earned income). Appropriate training and development arrangements are in place to address these issues but the lack of specialisation in benefit assessment is likely to increase the risk of errors and inconsistency.</p>
Out of Hours Standby Service	Substantial	Substantial	Minor	Given the functions of the Council, services may need to be delivered outside normal office hours to	Melton Borough Council (MBC) has a contract with Harborough District Council (HDC) to manage sheltered housing life line calls. The Council's out of hours service was incorporated into this service on 1 st December 2015. Prior to this, the service was

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				<p>carry out statutory duties or respond to emergency situations. To provide assurance over the new systems introduced in 2015/16.</p>	<p>managed by five MBC members of staff. Internal Audit reviewed the service to provide assurance that it is operating efficiently and effectively.</p> <p>The Council's out of hours service is operating well and roles and responsibilities have been clearly defined in the contract. Both parties are aware of their duties and MBC informs the control centre of any procedural changes so that guidance is updated accordingly, as well as having regular informal reviews to discuss performance.</p> <p>Calls are being handled appropriately and timely by the control centre. All 20 calls reviewed by Internal Audit were dealt with in accordance with Council procedure and the appropriate person or team was notified in each case. However testing highlighted that two (10%) calls in the sample were taken during normal office hours and neither party knew why or how this happened. The Council is invoiced based on the number of calls received therefore additional costs may be incurred.</p> <p>The control centre provides quarterly reports outlining the number and type of calls received on a monthly basis, allowing MBC staff to identify and address possible trends.</p> <p>The Council has achieved a saving of approximately £12,800 per annum based on 2016/17 costs, however a review of paid invoices highlighted that five of eight invoices received do not agree to the charges outlined in the contract, resulting in the</p>

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					Council being undercharged by £1,071.41.