MELTON BOROUGH COUNCIL

**INTERNAL AUDIT ANNUAL REPORT
2018/19**

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 supporting report that can be used by the organisation to inform its governance statement.

1.2 The Standards specify that the annual 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 2018/19

2.1 This report provides a summary of the work carried out by the Internal Audit service at Melton Borough Council during the financial year 2018/19 and the results of these assignments. Based upon the work undertaken during the year, the Head of Internal Audit's overall opinion on the 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 for 2018/19. This control environment comprises of the system of internal control, governance arrangements and risk management. This remains consistent with the opinions given in recent years.
>
> Controls relating to the key financial systems which were reviewed during the year were concluded to be generally operating effectively, with an opinion of Good Assurance given over the adequacy and compliance with the key controls tested.
>
> For the audits completed in 2018/19, 80% of the opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance. The proportion of audits resulting in opinions of Limited Assurance has been higher than in 2017/18 but it is noted that action plans have been agreed to address all areas of weakness. Of the recommended actions agreed, and due for implementation, 67% had been completed in a timely manner during the year.
>
> 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 within the risk-based Internal Audit plan that have been undertaken throughout the year. This assessment has taken account of the relative materiality of these

areas and management's progress in respect of addressing any control weaknesses and has acknowledged any gaps in assurances. A summary of Audit opinions is shown in Table 1.

Table 1 – Summary of audit opinions 2018/19:

Area	Substantial	Good	Satisfactory	Limited	No
Financial systems	-	2	-	-	-
Governance & Counter Fraud	3	4	-	3	-
Corporate & Cross Cutting	-	4	4	2	-
Delivery of Corporate Objectives	-	1	6	1	-
Total	**3**	**11**	**10**	**6**	**0**
Summary	**10%**	**37%**	**33%**	**20%**	**0%**
2017/18 outcomes – for comparison	**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 have been assigned during 2018/19:

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 with either no, or only minor, errors 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.

Level of Assurance	Definition
	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 2018/19, other than those relating to consultancy support, resulted in the provision of one of the above 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.

Summary of audit work

3.3 Table 3 details the assurance levels resulting from all audits undertaken in 2018/19 and the date of the Committee meeting at which a summary of the report was presented.

Table 3 – Summary of audit opinions 2018/19:

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Financial				
Financial System Key Controls	Good assurance	Good assurance	Minor	June 2019
Governance & Counter Fraud				
Right to Buy – fraud risks	Limited assurance	Limited assurance	Moderate	June 2019
General Data Protection Regulation (GDPR)	Good assurance	Good assurance	Minor	January 2019
Procurement compliance	Good assurance	Limited assurance	Moderate	June 2019
Risk Management	Substantial assurance	Good assurance	Minor	June 2019
Council Tax support – fraud risks	Substantial assurance	Substantial assurance	Minor	June 2019

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Corporate & Cross Cutting				
Freedom of Information (FOI) and Environmental Information Requests (EIR)	Good assurance	Satisfactory assurance	Minor	June 2019
IR35	Limited assurance	Limited assurance	Moderate	September 2018
Travel expense claims	Satisfactory assurance	Satisfactory assurance	Moderate	November 2018
Business continuity management and emergency planning	Good assurance	Satisfactory assurance	Minor	January 2019
Absence Management	Good assurance	Good assurance	Minor	November 2018
Delivery of Corporate Objectives				
Beckmill Court regeneration project	Satisfactory assurance	Limited assurance	Moderate	September 2018
Housing repairs contract	Good assurance	Satisfactory assurance	Moderate	March 2019
Environmental Health	Satisfactory assurance	Satisfactory assurance	Minor	March 2019
Safeguarding	Satisfactory assurance	Satisfactory assurance	Moderate	June 2019

3.4   Outlined in Appendix 1 is a summary of each of the audits 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 progress update reports provided to the Audit 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 on a monthly basis and has provided a summary to the Governance Committee at each meeting.

3.6   It is noted that only 25 audit recommendations were made during 2018/19 in comparison with a total of 60 recommendations made during 2017/18. Again, reflecting an improvement in the control environments compared with those reviewed in the previous year.

3.7   Details of the implementation rate for audit recommendations made during 2018/19 are provided in Table 4.

Table 4 - Implementation of audit recommendations from 2018/19 reports:

	Category 'High' recommendations	Category 'Medium' recommendations	Category 'Low' recommendations	Total
Agreed and implemented	-	19	5	24 (37%)
Agreed and not yet due for implementation	4	10	15	29 (45%)
Agreed and due within last 3 months, but not implemented	-	3	1	4 (6%)
Agreed and due over 3 months ago, but not implemented	3	5	-	8 (12%)
TOTAL	**7**	**37**	**21**	**65 (100%)**

3.8 A summary of 'high' and 'medium' overdue recommendations is shown in Table 5. This includes four further recommendations which remain overdue from 2017/18:

Table 5 - Summary of 'High' and 'Medium' priority overdue recommendations as at 31st March 2019

Audit Title	Audit Year	High		Medium	
		Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue
Travel expenses	2018/19	1	-	-	1
Beckmill Court	2018/19	2	-	3	-
Me and My Learning	2018/19	-	-	1	-
Cyber Security	2018/19	-	-	1	-
IR35	2018/19	-	-	-	1
GDPR	2018/19	-	-	-	1
Benefits	2017/18	1	-	-	-
Fixed Assets	2017/18	-	-	2	-
Staff Training & Development	2017/18	-	-	1	-
Totals		**4**	**-**	**8**	**3**

3.9 The level of implementation was reported to the Governance Committee throughout the year and monitoring of outstanding recommendations remains ongoing.

Other sources of assurance

3.10 In forming an opinion on the control environment for 2018/19, other sources of assurance have been considered, where appropriate. At the time of reporting, the Council does not have valid Public Sector Network compliance certification and, as such, no assurances can be taken from this. The ICT service is working on a remedial plan and are planning resubmission in June 2019. Internal Audit are seeking updates on this process to provide assurance over the ICT controls and ongoing access to the public sector network.

4. Internal Audit performance

Internal Audit contribution

4.1 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, advice and insight to assist the Council in new areas of work or to pro-actively review and improve the control framework.

Delivery of 2018/19 Audit Plan

4.2 The team has delivered **100%** of the agreed audit assignments within the Audit Plan for 2018/19.

Internal Audit contribution in wider areas

4.3   Key additional areas of Internal Audit contribution to the Council in 2018/19 are set out in Table 7:

Table 7 – Internal Audit contribution

Area of Activity	Benefit to the Council
Maintaining good working relationships with External Audit to ensure most effective coverage and avoiding duplication if possible.	Reduce audit burden, saving costs.
Assisting in the drafting of a new Code of Corporate Governance.	To ensure the Council's governance arrangements are robust and consistent with best practice.
Delivering a session with middle and senior managers on the audit planning process.	Embedding awareness of the audit process and ensuring that risks are suitably captured and prioritised in audit planning.
Facilitating a fraud awareness week campaign in November 2018.	Raising the awareness of staff in relation to fraud risks and embedding a zero tolerance culture to fraud and corruption.
Sharing of best practice and solutions adopted at other authorities.	Benefit from insight into tried and tested solution and good practice examples to strengthen controls and efficiencies.
Presence at Melton Borough Council offices.	Assistance with ad-hoc queries, building working relationships and raising the profile of Internal Audit.
Acting as a point of contact for whistleblowing referrals.	Providing an independent point of contact for reporting concerns and providing a professional investigation service at short notice when required, to ensure concerns are dealt with in accordance with best practice and suitably logged.
Supporting and advising upon fact-finding investigations, as required.	Sharing of knowledge of good practice and independent insight and challenge.

Performance Indicators

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

Table 8 – Internal Audit KPI's 2018/19

Indicator description	Target	Actual
Delivery of the agreed annual Internal Audit Plan	100%	**100%**
Delivery of the agreed annual Internal Audit Plan by end of March 2019	90%	**89%**
Customer Feedback – rating on a scale of 1 to 4 (average) – where: 4 = Outstanding, 3 = Good, 2 = Satisfactory and 1 = Poor).	3.1	**3.2**

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 and were further updated in March 2017. 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 latest PSIAS has been completed by the Head of Internal Audit, a copy of which can be provided as required. The outcome of the assessment was that the Internal Audit service is operating in general conformance with the Standards.

Appendix 1: Summary of Internal Audit Work Undertaken for 2018/19

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
Financial systems key controls	Substantial assurance	Substantial assurance	Minor	To provide assurance that sufficiently robust controls are in place, and operating consistently. The audit focussed on key controls relating to system access, setting up of new suppliers and processing changes to the supplier standing data, use of credit notes, and payroll payments processing.	The Council makes use of the Oracle system for finance functions and the Northgate system for Revenues and Benefits. A review of user access to these systems identified that all leavers had their access removed, and the level of access for the current users was found to be appropriate to their roles. The audit review identified scope to improve record keeping in regards to changes to supplier data and potential for additional controls for new supplier processing. Also testing of credit notes indicated potential room for improvement to strengthen controls around authorisation of the credit notes to ensure credit notes are only issued to correct a factual inaccuracy or administrative error in the billing of the original debt and are independently approved. Audit testing confirmed that payroll processes and controls have been designed well and were operating effectively, with only minor immaterial errors identified by Internal Audit.
Governance & Counter Fraud					
Right to Buy – fraud risks	Limited assurance	Limited assurance	Moderate	To provide assurance over the Council's controls for handling of right to buy applications, to ensure fraud and money	There had been no prior audit work on right to buys at the Council and it is recognised that following staffing changes in recent years it had been highlighted by current officers that processes require review. As such,

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
				laundering risks are being suitably managed.	the audit sought to support Council officers with this process and advise on areas for development during this work. The right to buy process is currently being conducted based on a checklist, recently developed by the service area, to ensure that checks are undertaken in relation to every application. There are, however, no procedures detailing the checks that must be undertaken and how these should be evidenced. The checklist lacks details of some key controls which should be consistently applied to ensure eligibility, fraud and money laundering risks are robustly addressed. Due to a lack of detailed procedures in place and an acknowledged lack of evidence trail to demonstrate the completion of key checks, it was agreed that the audit assignment would focus upon pro-actively strengthening procedures and sharing best practice. As such, no sample testing was undertaken, based on the understanding that fraud related controls and evidence were found to be lacking and there was no value in further testing. The existing checklist included some key controls such as identity checks but no record was held of the checks undertaken and there was no procedural guidance specifying the forms of identification that are

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					acceptable.
					The risk of money laundering has been acknowledged by the Council and a letter should be sent to the acting solicitor to confirm the relevant money laundering checks had been completed by the acting solicitor. There is scope, however, for further assurances to be sought by the Council in the earlier stages of the application.
					April 2019 - The LGSS Counter Fraud service has worked with the service area to review existing arrangements, highlight key risks and support the development of a robust control framework for the timely and robust handling of future applications.
General Data Protection Regulation (GDPR)	Satisfactory assurance	Good assurance	Minor	To provide assurance over the Council's compliance with the new data management regulations which come into force in May 2018.	The Council has identified what personal data it holds and determined how it is processed; such information is held within the Council's information asset register and Record of Processing Activity (ROPA). Policies in relation to GDPR were found to be available to all staff, and whilst these had been approved by the Senior Leadership Team (SLT), it was noted that the policies had not yet been formally approved at committee level. The Council refers to the latest retention and disposal guidance provided by the Local Government Association (LGA). Whilst the Council can demonstrate that good progress has been made in relation to records

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					management, further work is required to provide assurance that all personal data is being held, and disposed of in accordance with agreed policy and procedures; and the requirements of the GDPR.

Privacy notices include matters in relation to the Council's lawful basis for processing personal data and a review of existing consents and consent mechanisms has been undertaken. Some areas for improvement have been identified with regards to processing special category data and the means used to obtain consent.

Robust systems and procedures exist to detect; report; and investigate a personal data breach and whilst the policy and procedures in relation to subject access requests require updating. Sample testing of cases since May 2018 identified 100% compliance with key controls in both handling of data breaches and the processing of subject access requests.

The Council has appointed a suitably experienced and qualified Data Protection Officer (DPO), and it is understood that monitoring arrangements are currently under review. A review identified that only 33% of staff have completed online training, whilst only 25% of Members have attended in-house training. It is noted that the Council and all Members are registered with the |

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					Information Commissioner's Office (ICO).
Procurement compliance	Good assurance	Limited assurance	Moderate	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 in respect of competition and transparency. This audit was carried out to provide assurance that officers are complying with the approved rules and practices.	The Council revised its CPRs in October 2018 and the latest version of the CPRs was found to be published on the Council's website at the time of the audit review.

A sample of procurements completed in the current financial year was reviewed to ensure compliance with the relevant CPR requirements. Sample testing identified weaknesses in the recording and evidencing of compliance with several aspects of the Council's approved procedures. Insufficient evidence to demonstrate compliance was received in two instances and failure to have contractual provisions in place was noted in one other case. Failure to clearly document compliance means there is an increased exposure to the risks of legal challenge, allegations of fraud and poor value for money. In one case, there was no evidence to demonstrate the evaluation criteria had been pre-determined and the request for quotation documentation did not specify the relative weighting for evaluation of the bids. It was also noted that in one case no formal contract was in place. Action is required to strengthen existing arrangements for recording procurement processes ensuring evidence held by relevant officers is readily available.

Furthermore, the Council's contracts register had not |

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					been updated throughout 2018/19 due to a change in the provision of legal services from a shared service to in house and the vacancies arising as a result. There is also a lack of compliance in service areas with providing the necessary information for legal to update the register. CPRs state that the Senior Leadership Team (SLT) has responsibility for making sure the contracts register is updated following each procurement activity and, as such, the SLT should ensure that going forward the contracts register is kept up to date.
Risk Management	Substantial assurance	Good assurance	Minor		Melton Borough Council (MBC) operates a risk management framework that was implemented and agreed as part of a Risk Management Policy and Strategy produced in February 2018. The policy sets out clear guidelines on identifying, assessing, managing and reviewing risks, and roles and responsibilities for risk management at the Council have been clearly defined. The Risk Management Policy and Strategy is accompanied by the Risk Management Toolkit which acts as an aide in risk management processes and provides guidance on risk identification and scoring. Both can be accessed by all staff on the shared network, MIKE. The Council's strategic risk register is used to record and manage eleven corporate risks, each risk has a risk description, risk vulnerability and cause and the risk

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					consequences are noted. All risks had been scored in accordance with policy and current controls had been identified.

Operational risks are captured in the four service area risk registers. There are risk owners in place for each risk within each service risk register and each risk has its description, current and further mitigating actions, current risk and target risk sores. However, absence of risk review dates were noted in some operational risk registers. Risk register owners need to ensure that each risk has a set review target date to ensure effective, ongoing monitoring of risks.

All Council papers should also include reference to risk to ensure that Members and officers understand the impact of decision-making and the Council's project management framework requires risks to be identified and managed. Based on sample testing, committee reports and project documentation provided evidence of this in practice.

To assist service managers and Members in understanding risk management terminology and fulfilling their roles within the risk management process a workshop for service managers and Members was delivered. It is also noted that further training to |

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					Members is also planned for 2019.
Council Tax support – fraud risks	Substantial assurance	Substantial assurance	Minor	To provide assurance that the Council has robust controls in place to prevent, detect and handle attempted fraud through the Council Tax Support scheme.	Based on Internal Audit testing, the Council has sound arrangements in place to prevent fraud, primarily through the application of robust verification of new claims and changes of circumstances. Effective use and prompt processing of data provided by DWP further reduces the risk of fraud. Internal fraud is mitigated through annual staff declarations of interest and account restrictions, although the 2018 process has been delayed due to redesign of the forms. Proactive fraud detection relies on national data matching exercises which are followed up and actioned in a timely manner in most cases; review of council tax support and other lower priority matches is scheduled for late April 2019. Responsibility for fraud investigation rests primarily with the DWP Single Fraud Investigation Service (SFIS), although cases requiring a referral are relatively rare.
Corporate and cross cutting					
FOI and EIR	Good assurance	Satisfactory assurance	Minor	To provide assurance over the Council's procedures for handling formal information requests and to assess compliance with these in practice, based on sample testing.	The Council has developed the Information Governance and Risk policy which covers the process of responding and dealing with information requests including FOI and EIR. It is understood that a wider review of the policies and procedures relating to information requests as well as guidance available to members of staff is yet to be undertaken. General training is planned for all staff,

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
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					and more specific and technical training involving drop in sessions will be delivered to each service area's representatives who are responsible for collating evidence for requests. It was noted that the Council does not currently publish disclosure log listing responses to requests made under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004 which can be of wider public interest. It is understood that officers plan to publish a disclosure log on a quarterly basis going forward. Audit review focused on the sample of requests received since the implementation of new procedures and the appointment of a full time Information Officer in January 2019 primarily assigned to coordinate and oversee the requests for information process. Audit sample testing demonstrated that all but one request received an acknowledgement of receipt within three working days as per policy. In all cases the response to the request was provided within the statutory limit of 20 days. In cases where disclosure was not appropriate, the requester was provided with a timely response explaining the reasons for non-disclosure and their right

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					to request the internal review of the decision. Whilst the audit review confirmed that the designed governance arrangements were sufficient, opportunities to further enhance the control framework were also identified. It was noted that evidencing the review of responses by the relevant Service Director and Legal prior to release could be strengthened to improve the audit trail. Also the internal review process requires improvements to ensure the requests are dealt with fully and accurately, in line with legal and policy requirements and within timescales.
IR35	Limited assurance	Limited assurance	Moderate	To provide assurance over the Council's consistent compliance with IR35 legislation in relation to agency staff.	Robust systems and controls for ensuring compliance with relevant tax and employment legislation are essential elements of the Council's overall financial management arrangements. IR35 is intended to stop 'disguised employment' whereby staff are appointed 'off payroll' through companies or similar trading arrangements that avoid the need to make tax and other deductions at source or to pay employer's national insurance contributions. The employee is also potentially able to benefit from a reduced tax bill. IR35 has been in place since 2000 but from April 2017 the responsibility for determining whether the rules apply in public sector organisations shifted from the contractor to the hiring organisation. Penalties for non-compliance include repaying HMRC the tax and national

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
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					insurance due and a fine ranging between 30% and 100% of the value of the tax due.

The Council's arrangements for the identification and assessment of cases within the scope of IR35 are currently inadequate and expose the Council to unnecessary risk of financial penalties. Reliance is largely placed on individual managers being aware of their responsibility to undertake the relevant pre-appointment checks. Monitoring and recording of cases potentially within the scope of IR35 is undertaken by the HR team using the ICT new starter form. However, testing identified some cases that had not been identified through this process and records indicate that 65% of cases that had been identified in this way had no evidence of an IR35 assessment being undertaken.

There was no formal policy, procedures or guidance on the Council's approach to off-payroll workers. Where appointments were made through a staffing agency managers had been advised to seek written confirmation from the agency that tax and national insurance are being appropriately deducted. For other cases managers were advised to use the HMRC online status checker tool. However, accurate completion of the tool is open to interpretation and can be easily manipulated to achieve the desired outcome. Testing identified one case with inconsistencies in the tool and two further cases that had been completed by the worker rather than the manager. The consequences of an incorrect assessment could be significant in terms of |

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					potential financial liability.
					At the time of audit there was no formal guidance for managers on the respective employment rights and obligations of different classes of off-payroll workers. Officers stated that a cautious approach was generally adopted and that any issues were being dealt with on a case-by-case basis, although this had led to some inconsistencies in treatment.
					April 2019 – A policy/guidance has not yet been formalised but the majority of supporting recommended actions have been progressed or completed. Internal audit follow up work is ongoing.
Travel expense claims	Satisfactory assurance	Satisfactory assurance	Moderate	To provide assurance over compliance with the Council's travel expense claim policy.	The Reimbursement of Expenditure Policy sets out the Council's rules on how employees can claim for travel expenses incurred in the performance of their duties for the Council and is available for all staff on the shared network 'MIKE'. However, the policy lacks clarity around out of hours travel claims and tax implications.
					To claim for expenditure incurred driving on Council business, employees are required to set out the distance of the journey undertaken on the expenses claim form. Audit review focused on travel claims submitted since April 2018 as a reminder regarding travel expenses had been issued to all staff in April 2018 reminding staff of the recently reviewed

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					Reimbursement of Expenditure Policy. Review of a sample of travel claims demonstrated that consistent documentation for recording travel claims had been used. However, the testing of travel claims revealed cases where home to work mileage had not been deducted when required. These errors were not picked up by the line managers when reviewing the travel claims. Furthermore, one case was noted where a travel claim was approved by the manager who did not have the authorisation to sign off travel claims. Managers and administrators should pay extra attention when reviewing individual travel claims to identify any inconsistencies and spot any potential non-compliance.
					Staff can also request rail travel using a Rail Travel form should which is available for all staff on shared network 'MIKE'.
					Review of a sample of ten rail travel claims demonstrated that the rail travel claim form was consistently used for booking rail journeys. The evidence of manager review and authorisation was evident and supporting evidence such as rail tickets were retained and available for review.
					The rates used to pay for employee mileage at MBC are superior to the HMRC approved mileage rates (AMRs) hence the amount paid in excess of the AMR is subject to tax. It was confirmed that the tax on these

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
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					additional rates, as employee benefits, is paid through payroll.

Review of the essential car user scheme confirmed there was no set criteria established to determine who can be classed as an essential car user. Further analysis on essential car users revealed a potential additional cost of £50k over the last twelve months where users were paid the essential car user rate plus the lump sum instead of the standard casual rates. It was the auditor's opinion that a set criteria for essential car user scheme should be defined and essential car users must be regularly reassessed against the set criteria. |
| Business continuity management and emergency planning | Good assurance | Satisfactory assurance | Minor | To provide assurance over the robustness and completeness of the Council's business continuity plans and the arrangements in place to fulfil the Council's duties as a Category 1 responder in the case of a major incident in the local area. | Effective business continuity and emergency planning is an essential component of the Council's overall governance arrangements to ensure the resilience of all key services in the event of a major incident. The Council also has a legal responsibility under the Civil Contingencies Act 2004 for maintaining plans to help prevent, control and manage emergencies.

Based on Internal Audit's review the Council has an effective and clearly documented Major Incident Plan in place which is regularly reviewed and tested through the local resilience forum. Clear arrangements are in place to make the public aware of civil protection matters and arrangements for regular risk assessments are in place to support the established community risk register. Test exercises are completed bi-annually and |

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
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					used to refine and update the plans and lessons learned are formally recorded. The Council undertakes annual Business Impact Analysis exercises to inform the production and development of the Business Continuity Plan. The content of the business continuity plan is detailed and clear but could be made more user friendly if a simpler format was used and key contact lists were updated. In addition, there is opportunity to further strengthen the plan by undertaking some comparison against the corporate risk register and ensuring mitigations are more detailed and specific, with nominated officers and target completion dates. Internal Audit review of a sample of mitigating controls confirmed that all were operating effectively. However, there were no formal arrangements for periodic testing of the business continuity plan. This increases the risk that plans may not operate effectively in the event of a real incident.
Absence Management	Good assurance	Good assurance	Minor	To provide assurance over the effective management of employee absence and leave.	The current Managing Attendance Policy and Procedure is available for all staff on the shared network 'MIKE'. The policy was under review at the time of audit and the revised policy provided a much clearer, more robust process for managing staff sickness absence and templates for formally recording meetings held. The policy should assist managers in supporting employees in their return to work and ensuring all key steps are

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					taken in a timely manner. HR maintains information on recorded sickness absences on an absence management system. Monthly sickness absence reports are received form service areas and reconciled to absence records and supporting evidence. A sample of monthly absence returns was reviewed and all except one absence was found to be recorded accurately on the system. The one case had already been identified by the HR and is being addressed. The Managing Attendance policy included definitions of sickness absence and contains guidance on management action in regards to short and long-term sickness cases. A sample of employee absences was reviewed and in all cases, including short and long term absences, actions had been taken to address and monitor absence in line with the existing policy requirements. Since procedures for addressing sickness absence will be changing under the new policy, line managers should receive training to ensure sickness absence is handled in line with the new requirements. Return to work procedures were also reviewed and in testing of a sample of absence cases, in all except one case evidence of the return to work interview was held and self-certification forms had been completed by the line manager and the employee.

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					Testing of a sample of flexi time sheets confirmed that in all cases selected 100% of sickness absences had been recorded on the absence management system. The Annual Leave Policy and Procedure as well as Flexible Working Hours Scheme are available to all staff. In sample testing, in 87% of cases the annual leave cards were completed for the period of the absence and approved by the relevant Manager. In the majority of cases the flexi time sheets were completed accurately and in line with the procedures whilst some had minor administrative errors._x000D_

At the time of audit, the latest Q4 figures were reported to Corporate Committee in July 2018 and stated 1.4 days lost per full time employee. However, it was noted that quarterly performance was being reported against the annual target of 5 days, making this appear as good performance when, in fact, as a quarterly figure this is poor performance against target. |
| Delivery of Corporate Objectives | | | | | |
| Beckmill Court regeneration project | Satisfactory assurance | Limited assurance | Moderate | To provide assurance over the project management arrangements for this capital project. | The Beckmill Court regeneration project is a major capital scheme that supports the Council's corporate objective of helping to provide homes and environments that meet local needs. In 2012 the buildings were given a negative value and consultants were engaged to undertake a condition survey. In 2013 a feasibility study was undertaken to consider options for the building. In 2014 a further feasibility study and |

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					cost estimation exercise was undertaken for the preferred option. In 2015 a development study was undertaken and a budget estimate of £3.1m advised by consultants. In 2016 design work and preparations for tender were carried out. In 2017 a contract was awarded to Fortem for £2.02m and works commenced in October 2017 with a planned completion date of June 2018.

Overall arrangements for management and control of the project were not fully compliant with the Council's established project management framework. Documentation is lacking in several areas making it difficult to demonstrate that the project has been robustly managed at all stages and that value for money has been achieved, particularly in respect of the appointment of consultants. The project has been delivered over an extended period of time compared to the original timescales established at the feasibility stage. There have been several changes of staff in key project roles during this time and it has not always been possible to establish whether the absence of documentation is due to a failure of process or a failure of record keeping.

Officers are satisfied that the key outcomes of the project (to complete essential repairs and regeneration works to improve residents quality of life) will be delivered as planned although there have been |

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					significant delays and latest estimates indicate that the project will be overspent by approximately £116k.
Housing repairs contract	Good assurance	Satisfactory assurance	Moderate	To provide assurance over the management of the new housing repairs contract, to ensure the value for money is maximised; quality is effectively managed; and risks of fraud/overpayment are robustly controlled.	The housing repairs service directly supports a number of the Council's key priorities, including increasing the availability of good quality homes and delivering quality services to local residents. The Council has approximately 1,800 homes and spends over £1 million per year on planned and responsive repairs and maintenance. The Council recently awarded a new housing repairs contract on a Price per Property (PPP) and Price per Void (PPV) basis to Axis Europe Plc, commencing on 1st October 2018 for a duration of five years with the option to extend the contract for up to five further years. A full audit of the new contract will be considered for inclusion in the 2019/20 internal audit plan after the contract has been operational for a reasonable period of time. In the meantime, management has requested a review of the arrangements for raising and managing repair orders and ensuring a good quality of service is provided to tenants. The audit has focused primarily on responsive repairs. A sound control framework has been specified for managing the contract and ensuring timely completion of good quality repairs. This includes good proposed tenant communication arrangements. However, at the time of commencement of this audit the new contract had only been operational for a few weeks and some

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					arrangements had not been fully implemented. For example, work is ongoing to complete the IT interfaces necessary to support direct access to the contractor's appointment scheduling system. Furthermore, performance monitoring and reporting regimes and post-repair inspection arrangements have not yet been fully implemented. As such, it was too early at the time of audit to draw any firm conclusions about compliance with controls or the overall efficiency and effectiveness of the Council's arrangements. This issue will be revisited as part of next year's audit, in the meantime it is recommended that officers prepare a prioritised action plan or issues log to ensure that all outstanding matters associated with the new contract are captured and resolved in a manged and timely manner.
Environmental Health	Satisfactory assurance	Satisfactory assurance	Minor	To provide assurance over the effective prioritisation of service delivery, efficient processes and delivery of expected service levels.	Environmental health services directly support a number of the Council's corporate priorities, including achieving a clean and attractive local environment and delivering quality services to businesses and residents. It also contributes to key corporate projects like *Shaping the Future for Melton*. Environmental health covers a wide range of functions, including the promotion of food hygiene and safety, improvement of housing conditions, dog control, contaminated land, occupational health and safety together with a number of licensing and environmental protection/pollution activities.

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					There is a good mix of skills and experience within the Environmental Health team and all members of staff have a clear understanding of service objectives and priorities. However, limited resources and increasing number of complaints and service requests means that a disproportionate amount of time is spent on lower priority reactive work at the expense of planned inspections. Strengthening demand management and setting realistic, risk based service standards for reactive work would help to address this issue. The development of more formal arrangements for monitoring staff and team productivity would improve operational oversight and support future management decisions on resource allocation. Performance management and reporting is generally sound but would benefit from the development of more performance indicators and targets to provide a comprehensive picture of activity and outcomes. Moreover, the retention of supporting evidence would improve the audit trail and provide assurance over the accuracy of reported performance levels. Internal Audit is aware that a separate planning service review has recently been completed. When considering this report, management should consider possible synergies between these reviews as both relate to the same service department.

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Safeguarding	Satisfactory assurance	Satisfactory assurance	Minor	The purpose of this audit was to provide assurance that the Council has adequate controls in place to fulfil its responsibilities in relation to safeguarding.	The Council works with Leicestershire County Council, primarily, as well as other agencies, to ensure safeguarding is embedded within all services throughout the organisation. Appropriate information sharing arrangements are in place and the safeguarding referrals are handled in accordance with the Council's procedures and progressed to the relevant agencies where applicable. However, the audit identified opportunities to further enhance the control framework. The safeguarding policies were found to be out of date, however it must be noted that currently single policy which covers the Council's arrangements for safeguarding both children and vulnerable adults is being prepared. The Council has appointed designated safeguarding officers in each service area who are responsible for managing and co-coordinating the Council's safeguarding activities. The published safeguarding policies at the time of the audit included an out of date list of the Council's designated safeguarding officers. Also 38% of those participating in an audit survey stated that they did not know who the designated safeguarding officers at MBC were. The list of current designated officers and contact information has now been reviewed and updated and will form part of a new revised policy. Officers need to ensure that up to date details of safeguarding leads are readily available to all.

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					Melton Borough Council also has a duty to ensure that all elected Members comply with the Council's Safeguarding Policy and consider the welfare of all children, young people and vulnerable adults whilst undertaking all services and functions. The audit identified opportunities to enhance governance arrangements in terms of appointing a portfolio holder to lead and oversee the Council's safeguarding arrangements and also a need to address knowledge gaps by rolling out the safeguarding training to Members. It is unlawful for an organisation to complete criminal record checks if the post does not meet the criteria outlined in the Rehabilitation of Offenders Act (ROA) 1974 (Exceptions) Order 1975. In terms of appropriate person checks of MBC staff the records of job roles subject to a DBS check is in place, however as audit testing identified, it needs to be reviewed and updated. Audit review of all staff and new starters identified four roles that were not recorded on the establishment list as requiring DBS but where DBS checks were actually conducted - indicating a need to update the lists of posts. Audit review also established that right to work checks are being completed and ID checks are undertaken prior to new the employment start date. Audit review of a sample of roles requiring DBS identified the need to improve audit trail in regards

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					to DBS renewals to ensure these are undertaken timely and that the frequency of the rechecks are appropriate to the role. Also the Recruitment of Ex-offenders policy requires a review and introduction of a new risk assessment template for recording of risks when convictions are disclosed or when DBS is not received prior to the employee start date.