



MELTON BOROUGH COUNCIL

**INTERNAL AUDIT ANNUAL REPORT
2019/20**



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.
- 1.3 This report provides a summary of the work carried out by the Internal Audit service at Melton Borough Council during the financial year 2019/20 and the results of these assignments.
- 1.4 It should be noted that due to the implications for the Council of the Covid 19 pandemic, an approach to the conclusion of incomplete audit work from March 2020 was agreed with the s151 officer and Chair of the Audit & Standards Committee. Where possible, audits have been concluded in full but in one case it was agreed that no further audit work would be conducted and the key findings to date would be shared with management. Where insufficient testing has been concluded to inform an assurance opinion an opinion has not been given.

2. Head of Internal Audit Opinion 2019/20

- 2.1 Based upon the work undertaken during the year, the Head of Internal Audit's overall opinion is that:

It is my opinion that **Satisfactory Assurance** can be given over the adequacy and effectiveness of the Council's control environment for 2019/20. 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.

Governance

During 2019/20, the Council has moved from a 'Committee system' to 'Executive arrangements' in the form of a Leader and Cabinet model and updated its Constitution. The adoption of the new governance arrangements was intended to support efficient decision making and agile working in a more commercial environment.

There are no significant governance issues that I wish to draw to the attention of the Council for inclusion in its Annual Governance Statement, based on the findings of Internal Audit work in 2019/20.

Financial control

Controls relating to the key financial systems which were reviewed during the year were concluded to be generally operating effectively. A weakness in relation to bank reconciliations was highlighted and resulted in a Limited Assurance opinion at the time of audit, assurance has been given that controls in this area have been reinstated following audit testing.

Risk management

Established structures and processes for identifying, assessing and managing risk remained consistent during 2019/20. An audit of Risk Management was completed in 2019 and concluded an opinion of Substantial Assurance over the framework in place. The strategic risk register and the risk management strategy were reviewed by the Audit and Standards Committee in September 2019. Service level risk registers are maintained, complying with the same methodology.

There are three 'red' risks on the strategic risk register at March 2020. Internal Audit work is targeted upon the Council's key areas of risk and work completed in 2019/20 has assessed assurances in relation to controls in these areas.

Internal control

For the audits completed in 2019/20, 71% 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 previous years.

Of these audits, one resulted in an organisational risk score of 'Major' which impacts upon the annual opinion on internal control. This related to the audit on Landlord Health and Safety and a high priority action plan was agreed with management and formed part of the housing improvement plan. Assurance can be taken from the prompt actions implemented to address the risks and evidence that 45% of the actions have been completed to date.

It is noted that action plans have been agreed to address all areas of weakness. Of the recommended actions agreed, and due for implementation, 63% had been completed in a timely manner during the year. This implementation rate has been impacted by the Covid-19 pandemic and implementation in a number of areas is progressing.

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 2019/20:

Area	Substantial	Good	Satisfactory	Limited	No
Financial systems	1	-	-	1	-
Governance & Counter Fraud	-	-	-	-	-
Corporate & Cross Cutting	-	5	1	-	-
Delivery of Corporate Objectives - Place	-	-	2	2	-
Delivery of Corporate Objectives - People	-	-	1	1	-
Total	1	5	4	4	0
Summary	7%	35%	29%	29%	0%
2018/19 outcomes – for comparison	10%	37%	33%	20%	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 2019/20:

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.

Level of Assurance	Definition
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 2019/20, other than those relating to consultancy support or those not concluded due to Covid 19 pressures, 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 2019/20 and the date of the Committee meeting at which a summary of the report was presented.

Table 3 – Summary of audit opinions 2019/20:

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Financial control				
Financial System Key Controls	Substantial assurance	Limited assurance	Moderate	June 2020
Governance & counter fraud				
Procurement compliance	Testing incomplete at March 2020 – findings to date shared with management and agreed no further testing at this time.		Not applicable	
Corporate & cross cutting				
Complaints and compliments management	Good assurance	Good assurance	Minor	June 2020
Assets of community value	Good assurance	Satisfactory assurance	Minor	September 2019
Establishment changes	Good assurance	Good assurance	Minor	November 2019

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Contractor health and safety	Limited assurance	Satisfactory assurance	Moderate	June 2020
Delivery of corporate objectives - Place				
S106 monitoring	Satisfactory assurance	Satisfactory assurance	Moderate	November 2019
Landlord health and safety	Limited assurance	Limited assurance	Major	November 2019
Delivery of corporate objectives – People				
Case management arrangements – intensive housing management	Limited assurance	Satisfactory assurance	Moderate	September 2019
Homelessness reduction act	Satisfactory assurance	Satisfactory assurance	Moderate	June 2020

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 and Standards 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 A total of 49 audit recommendations were made during 2019/20.
- 3.7 Details of the implementation rate for audit recommendations made during 2019/20 are provided in Table 4.

Table 4 - Implementation of audit recommendations from 2019/20 reports:

	Category 'High' recommendations	Category 'Medium' recommendations	Category 'Low' recommendations	Total
Agreed and implemented	5	8	14	27 (55%)
Agreed and not yet due for implementation	2	-	4	6 (12%)
Agreed and due within last 3 months, but not implemented	-	-	-	0 (0%)
Agreed and due over 3 months ago, but not implemented	3	12	1	16 (33%)
TOTAL	10	20	19	49 (100%)

- 3.8 A summary of 'high' and 'medium' overdue recommendations is shown in Table 5. This includes further five recommendations which remain overdue from previous years. The Director for housing and Communities is working on a comprehensive restructure which will assist with addressing some of the outstanding recommendations. It is noted that the Covid-19 pandemic has hampered progress on some actions.

Table 5 - Summary of 'High' and 'Medium' priority overdue recommendations as at 31st March 2020

Audit Title	Audit Year	High		Medium	
		Over 3 months overdue	Under 3 months overdue	Over 3 months overdue	Under 3 months overdue
Landlords Health and Safety *Note 1	2019/20	1	-	-	-
Effectiveness of Case Management System *Note 2	2019/20	2	-	12	-
GDPR	2018/19	-	-	1	-
Freedom of Information Requests	2018/19	-	-	1	-
Right to Buy	2018/19	1	-	-	-
Fixed Assets	2016/17	-	-	2	-
Totals		4	0	16	1

*Note 1: A revised target for completion of the Landlords Health and Safety Audit action is given as 30th September 2020.

*Note 2: A revised target for completion of all Effectiveness of Case Management System recommendations is given as 31st December 2020.

- 3.9 The level of implementation was reported to the Audit and Standards 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 2019/20, other sources of assurance have been considered, where appropriate. At the time of reporting, the Council has valid Public Sector Network compliance certification and, as such, assurances can be taken from this over the security of its networks.

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 2019/20 Audit Plan

- 4.2 The team has delivered **100%** of the agreed audit assignments within the Audit Plan for 2019/20.

Internal Audit contribution in wider areas

4.3 Key additional areas of Internal Audit contribution to the Council in 2019/20 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.
Maintaining a fraud risk register and action plan, with a number of proactive activities completed during the year.	Strengthening the Council’s counter fraud arrangements to prevent, detect and investigate attempts of fraud.
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 2019.	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. Immediate access to independent, experienced investigative resources when needed.

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 2019/20

Indicator description	Target	Actual
Delivery of the agreed annual Internal Audit Plan	100%	100% Note – excludes any assignments agreed to defer
Delivery of the agreed annual Internal Audit Plan by end of March 2020	90%	93%
Customer feedback – rating on a scale of 1 to 4 (average) – where: 4 = Outstanding, 3 = Good, 2 = Satisfactory and 1 = Poor).	3.1	3.4

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 2019/20

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
Financial systems key controls	Substantial assurance	Limited assurance	Moderate	To provide assurance that sufficiently robust controls are in place, and operating consistently. The audit focussed on key controls relating to recovery of housing benefit overpayment, housing rent recovery, processing changes to supplier standing data, use of urgent payments, main accounting system controls and bank reconciliations.	<p>The Council operates a number of systems designed to ensure that transactions are recorded in a timely, accurate and complete manner, free from fraud or error. These systems are often referred to as 'Key' or 'Fundamental' financial systems. The Council's Chief Financial (section 151) Officer is required to include a statement in the annual accounts to certify that proper accounting records have been kept that are up to date and reasonable steps have been taken for the prevention and detection of fraud and other irregularities. Internal Audit's control evaluation and compliance testing supports the s151 officer in exercising this duty.</p> <p>The Council has an approved policy for recovery of housing benefit overpayments and roles and responsibilities are clearly allocated. Resources allocated to recovery of overpayments within the sundry debtors system and the level of outstanding debts remains relatively high. However, resources are currently under review as part of the ongoing departmental restructure. The provision of additional short-term resources and development of more robust performance monitoring would help to strengthen current arrangements.</p> <p>Arrangement for the setting, collection and accounting for housing rents are robust, although the rent recovery policy is in need of updating and verification of annual rent changes should be evidenced.</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>At the time of commencement of this audit, bank reconciliations in respect of the Council’s main (general) bank account had not been kept up-to-date and had not balanced since December 2018. As a result, work on the reconciliation has been prioritised by officers and at the time of reporting the January 2020 reconciliation had been completed and the imbalance significantly reduced. Further work is required to resolve the remaining imbalance and ensure that reconciliations are completed for the full financial year and kept up-to-date in future.</p> <p>Controls for the prevention of fraud in respect of supplier bank account changes are sound and no evidence of duplicate payments was identified in relation to invoices paid by CHAPS or Faster Payments.</p> <p><i>July 2020 update</i> – The bank reconciliations to the end of the 2019/20 financial year have now been completed and balanced.</p>
Governance & Counter Fraud					
Procurement compliance	-	-	-	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	A sample was selected of both contracts from the contracts register and suppliers identified from expenditure reports. Evidence was requested to demonstrate compliance with the Council’s contract procedures rules in procuring the respective goods and services. Due to the implications of the Covid 19

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
				competition and transparency. This audit was carried out to provide assurance that officers are complying with the approved rules and practices.	pandemic, not all evidence was received from key officers but this was not pursued further to avoid additional pressures on those involved in the Council's pandemic response. As such, any areas for improvement identified from the sample of evidence received were shared with management and the remaining items will be followed up later in 2020.
Corporate and cross cutting					
Complaints and compliments management	Good assurance	Good assurance	Minor	To provide assurance over the consistent and effective handling and recording of complaints and compliments received by the Council – following introduction of new policy.	<p>The Council has a Corporate Complaints Policy that aims to ensure complaints are dealt with proactively, efficiently and in a timely manner. The policy was reviewed and updated and approved at the People Committee on 14th November 2018.</p> <p>Based upon the sample testing conducted, the key controls of the complaints management process had been met i.e. complaints responded to within timescales and by the relevant officers. Service requests and complaints were captured in a complaints log and the process of investigating complaints and the outcomes was fully recorded. Complainants had received a timely response and an explanation of the outcome of their complaint.</p> <p>Despite the key controls being met for stage 1 and stage 2 complaints, some scope to further improve the</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>complaints management process has been identified. This includes acknowledging all complaints in accordance with the set timescales, accurate recording of complaints and service enquires including its related data, as well as the use of the designed complaints templates.</p> <p>At the start of the audit it was noted that compliments were not being centrally recorded. Officers have since started using the complaints log to also record compliments received to ensure there is a clear and accurate record of all compliments and complaints received by the Council.</p> <p>Analysis on root causes of the complaints is not currently undertaken. This is an important area of focus as it should in turn lead to improvements in the service or improvements to the Council's policies.</p> <p>Key performance indicators (KPIs) are set in accordance with the Council's set priorities as noted in the Corporate Delivery Plan. One of the organisational priorities of the Council is <i>(OG1) Customer Focus - Delivering quality services to business and residents; understanding what really matters to our customers</i>. Officers could adopt an additional KPI under this priority in relation to the</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					number of stage 1 and stage 2 complaints responded to within 15 days.
Assets of community value	Good assurance	Satisfactory assurance	Minor	To provide assurance over the Council's handling of applications for assets of community value.	<p>The Community Right to Bid came into force in 2012 and gives communities a right to identify a building or land that is believed to be of value to their social interests or social wellbeing. It gives the community a fair chance to make a bid to buy the property on the open market should the owner decide to sell. Only eligible community groups, local parish councils or local neighbourhood planning forums and charities can nominate.</p> <p>The Council's policy and procedures were revised in April 2018 to strengthen the decision making process. Management requested this review to provide independent assurance that the revised processes are operating effectively and efficiently.</p> <p>Based on discussion with officers and review of the relevant documentation, the current system and procedures are consistent with legislative requirements and provide a sound framework to reduce the risk of poor or untimely decisions. There is scope to strengthen arrangements further by reviewing the panel process and providing additional guidance and information to those wishing to make a nomination. Moreover, the published register of assets needs updating to correct a number of omissions and case documentation and recording could be significantly improved.</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
Establishment changes	Good assurance	Good assurance	Minor	To provide assurance over the consistent and timely update of the Council's establishment records to reflect changes in structures and roles and support informed decision making.	<p>Melton Borough Council (MBC) operates under an approved establishment of staffing levels. Changes to the establishment can be made under delegation through the Chief Executive in consultation with the Senior Leadership Team or as a result of projects or restructure. Robust establishment control processes help the Council to control its salary expenditure by ensuring that any changes, additions or deletions to posts follow a documented authorisation process and feed directly into budget monitoring.</p> <p>Establishment change requests must be made by the completion of an establishment control form. This is to enable the monitoring of all changes and to ensure that the organisational structure is recorded correctly on the current establishment database. However, audit sample testing identified some cases where managers had not completed and submitted the establishment control form to the HR team. Also it was highlighted that the establishment control form and the associated procedures are not currently available to managers on the shared network, MIKE.</p> <p>To establish if the Council services are operating within the approved management structures and budgets a sample of roles were selected from the latest establishment list. The review of a sample of roles noted on the establishment demonstrated that appropriate</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					approvals had been obtained and evidence of such approvals was available in all cases.
Contractor health and safety	Limited assurance	Satisfactory assurance	Moderate	To provide assurance over controls in place to ensure that organisations/companies that MBC has a contract with, to provide services on its behalf, comply with health and safety legislation.	<p>Both the Council and their contractors have a duty to comply with the Health and Safety at Work Act 1974 to ensure, so far as is reasonably practicable, the health and safety of employees, other people at work on their site and members of the public. Internal Audit sought assurance over controls in place to ensure that organisations that the MBC has contracts with, and who are providing services on the Council's behalf, comply with health and safety legislation. The audit focussed on five contractors who provide services for housing maintenance and repairs, waste disposal construction contract and leisure services.</p> <p>A 'Guide to Contract Management' which was developed by the Welland Procurement Unit (WPU) was produced for contract managers, to support them in managing contractor performance. However, contract managers contacted during the audit lacked knowledge of any such guidance being available to them and there is no copy provided on the Council's intranet site. The guidance also requires development to specify clear controls which must be applied to effectively monitor health and safety compliance with contractors.</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>Once the guidance is updated, there should be key controls which must be complied with by all contract managers for all relevant contracts. It was noted that for three out of five cases reviewed by Internal Audit contractor compliance with health and safety was not being regularly monitored and reviewed. Key performance measures should be included in all relevant contracts to create an effect control environment from the outset. Throughout the duration of a contract, contract managers should request and inspect key health and safety records to provide assurance that the controls are in place and are operating effectively.</p> <p>Regular health and safety inspections were found to be undertaken by the Council for only one contract in the sample. The contract managers should also seek more assurances from the contactors by regularly obtaining copies of any internal health and safety inspections commissioned by the contractor.</p> <p>The review of the sample of contracts identified that performance standards had not been agreed and documented in two cases, in one case the standards were under review, whilst in another case the limited KPIs were not sufficient areas. The contract managers should ensure that the KPIs are agreed from the start of</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					the contract and ensure that the contracts include adequate provision for the monitoring of the health and safety arrangements.
Delivery of Corporate Objectives - Place					
S106 monitoring	Satisfactory assurance	Satisfactory assurance	Moderate	To provide assurance over the effective monitoring and application of s106 monies and to follow up on recommendations made in the 2016/17 audit review and in line with the new Developer Contributions policy.	<p>Section 106 (s106) planning obligations are legal agreements formed between the Council and developers as part of the planning application process. The agreements help make development proposals acceptable when they might otherwise be unacceptable, in planning terms, providing infrastructure and benefits to the community.</p> <p>A monitoring spreadsheet has been set up to monitor s106 agreements and the associated trigger points. Testing, however, determined scope for improvement in ensuring that all necessary information is added onto the monitoring database and that the monitoring spreadsheet is kept up to date with the status of agreements.</p> <p>Initial review of s106 monitoring records determined that no active trigger monitoring is taking place at Melton Borough Council (MBC). The Council is placing reliance on the developers to comply with the s106 obligations and pay the agreed contributions when trigger points are met. A review of a sample of s106 agreements and associated trigger points and</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>contributions noted two cases where the trigger had been met but no contributions were yet received.</p> <p>Reports on contribution balances held are presented by the Assistant Director of Planning and Regulatory Services to Senior Leadership Team (SLT). This helps to ensure all services areas are aware of balances held and appropriate use is made of the funds. However, the reports have been irregular and quarterly frequency should be reinstated.</p> <p>The government recommends that local authorities prepare an infrastructure funding statement that sets out section 106 planning obligations, anticipated funding from developer contributions, and the choices local authorities have made about how these contributions will be used. The first annual infrastructure funding statement must be published by 31st December 2020. Lack of detail in the monitoring database and lack of effective communication channels identified during the audit may pose a challenge for the preparation of an accurate infrastructure statement.</p> <p>It was confirmed that at the time of audit the Council had not had any claw backs of contributions due to inappropriate spend or failure to spend before expiry date.</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
Landlord health and safety	Limited assurance	Limited assurance	Major	To provide assurance over the consistent completion of inspections such as gas, electricity and fire risk assessments and to ensure the Council effectively promotes and communicates key health and safety messages to residents.	<p>As a landlord, the Council has a number of statutory responsibilities including fire safety, asbestos management, electrical safety, gas safety and water safety. Following issues identified regarding fire safety, the Director for Growth and Regeneration requested a review by Internal Audit to provide assurance that the Council is fulfilling its duties in ensuring all aspects of safety of these properties. Concerns from the current leadership team regarding apparent long standing issues with compliance with wider property safety also resulted in this being recognised on the Council's strategic risk register in January 2019.</p> <p>It has been noted that compliance with fire safety in particular has been a focus for the Council over the last year with reports to the Council's Place Committee in June 2018 and Corporate Committee in January 2019 and a new Fire Safety Policy being adopted in January 2019. Officers have also been preparing a comprehensive Housing Improvement Plan (HIP) which would represent a significant investment in housing services. This was due to be considered by Council in November with a key focus on safety of housing assets. The proposed corporate restructure being considered by Council in November also proposed establishing a designated housing function.</p> <p>A key finding of this audit was the historical weaknesses in data collection, retention, management and</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>application in decision making process related to property safety. It was highlighted that the Council held no central asset register, record of housing property inspections or a list of actions identified through inspections and assessments that needed to be implemented to achieve full compliance. A comprehensive dataset needed to be compiled, updated and maintained to ensure consistency and to facilitate effective monitoring. Sample testing highlighted a number of gaps and weaknesses in the inspection regimes and failure to ensure all inspections had been completed in line with policy and legal duties, where applicable.</p> <p>Sample testing highlighted a lack of consistent compliance with Council policy for housing properties in relation to fire risk assessments, electrical inspections and asbestos surveys. Statutory annual gas safety checks had been undertaken for all properties in the audit sample with the exception of one case, where the gas safety check was found to be overdue at the time of the audit. Officers arranged for the check to be completed by the contractor and provided evidence of the completed gas safety inspection before the audit was concluded.</p> <p>Internal Audit selected a sample of housing blocks to establish if annual Fire Risk Assessments (FRA) were completed. It was noted that a FRA was completed in all</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>cases, however in 60% of cases this was now overdue, with the last inspection carried out more than twelve months ago. Officers confirmed that FRAs for all blocks with communal areas had been commissioned and were being undertaken with a view to create a new baseline and assess the extent of works required. This work was due to be completed by the end of October 2019.</p> <p>In regards to the electrical safety inspections, in sample testing 45% of housing stock selected had been subject to an electrical inspection in the last five years, 7% had received the inspection but more than five years ago and for the remaining 48% there was no record of any electrical inspection. It was also noted that no regular asbestos inspections were being undertaken on the housing properties, but Internal Audit were advised that these were undertaken on rewiring and voids properties and any other repair works that would be likely to cause disturbance.</p> <p>Crucially, it was further highlighted that historically the issues arising from Fire Risk Assessments, electrical inspections and asbestos surveys had not been feeding into work plans. Therefore, where observations were recorded and recommendations made as a result of the inspections, these had not been suitably recorded</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>and/or monitored to ensure the issues were promptly rectified. As such, there was no evidence that issues noted in the inspections had been resolved and these needed to be addressed as a matter of priority given a number of cases, such as electrical installations, had been classified as 'unsatisfactory' due to the issues arising. Whilst outside of the sample selected for audit testing, the Council advised that there were three further blocks where the Council had received informal notices from Leicestershire Fire and Rescue Services (LFRS) and that all actions arising from those action plans have been implemented. Regarding the issues arising from the new FRAs, officers confirmed that contractors have been procured in readiness to start works on site once the actions are agreed and works are to be scheduled following the FRAs.</p> <p>Whilst health and safety of housing properties has been recognised as a corporate risk, there was no mechanism for monitoring performance against policy or service standards. It was recommended that performance reporting be introduced to identify any areas of non-compliance and ensure prompt actions are taken.</p> <p>A central record of training was not in place making it difficult to identify training needs of the housing assets team. Also, there was no process in place to identify the qualifications required by the contractors and</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>consultants through procurement processes. To ensure that members of staff as well as contractors are suitably qualified, evidence of competence should be obtained at the recruitment and procurement stage. Considering that safety is the responsibility of everyone involved, awareness needed to be raised among the tenants, visitors and staff as well as TFEC members.</p> <p>It is also noted that a compliance officer post was created in April 2019 within the assets team. Following a failed attempt to recruit, the job description was being revised and re-evaluated. This needed to be recruited urgently to ensure competent and capable personnel are in place manage this high risk area.</p> <p>In summary, this audit identified a number of issues and proposed remedial actions in relation to compliance with property safety in housing assets. It demonstrated the scale and range of issues the Council was facing. It acknowledged the plans being put in place to reduce the risk of the negative impact on Council's reputation, finances and more importantly the safety of tenants, visitors and Council staff. It highlighted that urgent actions are required to achieve the recommended actions.</p> <p><i>July 2020 update – 45% of actions arising have been completed and all remaining actions are progressing.</i></p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
Delivery of Corporate Objectives - People					
Case management – intensive housing management	Limited assurance	Satisfactory assurance	Moderate	<p>The audit was focused on the specific risks identified in the following areas:</p> <ul style="list-style-type: none"> • Policies and procedures; • Case assessment and management arrangements; • Monitoring of service performance and outcomes; and • Financial management and VFM arrangements. 	<p>In 2015 Leicestershire County Council withdrew financial support for Housing Related Support Services in Melton. The Council decided that it wanted to continue providing support to local residents and embarked on a project to re-design the service and develop a new model of Intensive Housing Management (IHM), largely funded through charges to service users together with a contribution from the Housing Revenue Account (HRA) capped at £30k. It should be noted that there have been major staffing and organisational changes since 2015 and none of the senior managers involved in the initial development and design of the current IHM service are still working for the Council.</p> <p>Based on interviews and review of documentation, there is no clear service plan or specification setting out the services provided or expected outcomes. Staff within the IHM team are committed and conscientious but the lack of a clear service plan, operational procedures or robust performance monitoring makes it difficult to demonstrate that the Council is delivering an efficient and effective service. The IHM team provides a broad range of support services to over 500 residents covering both tenancy and welfare related matters. However, supervision and management is relatively light-touch and there is no evidence of any formal assessment of workload or resources to ensure sufficient capacity and skills are available to deliver the service to an appropriate and consistent standard.</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>Case records are largely paper based although plans are in place to migrate all records to the ECINS case management system in future. All welfare visits, incidents and tenancy issue are recorded in note form but there is no standard or systematic approach to needs assessment, support planning or case review. IHM records are not included in the corporate information asset register and there is no evidence of a formal approach to document retention.</p> <p>Gross costs have increased by over 27% since the IHM service was introduced in 2015, although overall expenditure has remained within budget and the HRA contribution cap has not been exceeded. For the 2019/20 budget, net costs have increased to £42k but the HRA cap has been achieved after £29k recharges to the General Fund. The rationale or basis of these recharges has not been explained.</p> <p>A number of recommendations have been made to address the individual issues identified in this audit, although a more fundamental service review may be preferred to revisit the initial project in the light of current priorities and related service developments. The action plan in this report could then be used to inform the service review project.</p> <p><i>July 2020 update</i> – The revision of Case Management will be incorporated into the People Recovery workstrand and revised Corporate Plan under the "Community Hub</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					Plus" model. A revised target for completion is given as 31 st December 2020.
Homelessness Reduction Act compliance	Satisfactory assurance	Satisfactory assurance	Moderate	To provide assurance over the Council's compliance with the Homelessness Reduction Act and effective controls in the handling of homelessness applications.	<p>The proper, effective and efficient management of homelessness applications and compliance with the Council's duties under the Homelessness Reduction Act 2017 is critical in ensuring that everyone who is homeless or at risk of homelessness will have access to help, irrespective of their priority need, as long as they are eligible for assistance. The Homelessness Reduction Act 2017 came into effect on 3rd April 2018 and modified and extended existing homelessness protection. The critical objective of this review was to provide assurance that the Council is meeting its statutory duties under the Homelessness Reduction Act 2017.</p> <p>Sample testing of homelessness cases has confirmed that the Council has complied with the requirements of the Homelessness Reduction Act, however the documentation provided to Internal Audit to support individual applications tested did not provide evidence in all that cases that checks had been completed to confirm the identity of the applicant. If there is no evidence of this control being applied then there is a risk that a homeless duty may have been awarded to an applicant with no recourse to public funds. The Council needs to ensure that they have a robust process in place to ensure that all required checks are completed and evidenced to the required standard.</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>The Council places a heavy emphasis, where possible, on the prevention of homelessness but recognises its duty to provide temporary accommodation until the household can be rehoused through the housing register and has arrangements in place to maximise value for money by minimising the use of expensive temporary accommodation wherever possible by preventing homelessness actually happening. The current overspend on temporary accommodation is a risk to the Council and there is a need to continue to manage the overspend by minimising the use of expensive temporary accommodation and ensuring that housing benefit is claimed by applicants to offset the cost. A recent review of housing voids management and temporary accommodation undertaken by the Scrutiny Task and Finish Group has made recommendations aimed at reducing or eliminating, the use of private bed and breakfast accommodation which will be considered by Cabinet by the end of July 2020.</p>