



GOVERNANCE COMMITTEE

PARKSIDE, STATION APPROACH, BURTON STREET, MELTON MOWBRAY

22 September 2014

PRESENT

Councillors M C R Graham MBE (Chairman)
P. Cumbers, J Douglas, M M Gordon, V Manderson
E Holmes, J T Orson, N Slater

Head of Communications and Monitoring Officer
Head of Central Services
People and Places Manager
Internal Auditor – Local Government Shared Service (LGSS)
External Auditor - PricewaterhouseCoopers (PWC)
Admin Assistant

G.16. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors
A Freer-Jones and G Bush

G.17. MINUTES

The Minutes of Governance Committee held on 23 June 2014 were confirmed and authorised to be signed by the Chairman subject to the following amendment:

G.9 Paragraph 9. The date should be 2014/15 not 2014/2014.

The Minutes of Sub Committee 2 held on 24 July 2014 were confirmed and authorised to be signed by the Chairman.

G.18. DECLARATIONS OF INTEREST

Councillor J T Orson declared a personal interest in any items relating to the Leicestershire County Council due to his role as County Councillor.

G.19. RECOMMENDATIONS FROM OTHER COMMITTEES

There were no recommendations or reports submitted from other Committees.

G.20. UPDATE ON DECISIONS

The Monitoring Officer submitted a report (copies of which had previously been circulated to Members) which provided an update on decisions from previous Meetings of this Committee.

Item 1 – Internal Audit Annual Report

Training workshops incorporated into Member`s calendar - due to the changes in the Internal Audit Provision (see Minute G24) these are in the process of being looked into and a programme is being put together as required.

Evaluating Statements of Assurance – a paper will be provided for the next meeting.

Item 10 – Training to be arranged on Data Protection

The Monitoring Officer advised that dates were due to be circulated shortly.

Cllr Slater asked on the progress of his request for information to be provided to Members which shows the standby and emergency numbers for the appropriate trained staff with indication of who should be called in the event of an emergency. The Monitoring Officer reassured him this was in hand on the Management Team Action Plan. It was decided this should be added back on to this Committee`s list of actions to follow up.

RESOLVED that the Update on Decisions be updated to reflect progress, future updates required and work completed.

G.21. STATEMENT OF ACCOUNTS 2013/14

The Head of Central Services submitted a report (copies of which had previously been circulated to Members) the purpose being to submit the Statement of Accounts for 2013-14 for approval which have been prepared in accordance with the Audit Commission Act 1998 and the Accounts and Audit (England) Regulations 2011 together with informing the Members of following key issues within the accounts.

The draft accounts were previously approved by Policy Finance and Administration Committee in July 2014. They have since been audited with no significant changes and so the figures reported are the final version containing only minor amendments to those as previously reported to PFA on 1 July 2014. The External Auditor confirmed that the changes were minor such as typos and all figures are as stated. An amendment on Page 57 required was that Market Harborough should also be listed under the `Entities controlled or significantly influenced by the Authority`

It was confirmed by the Head of Central Services that the VAT on the fraudulent payment cannot be reclaimed.

Explanation of how the Depreciation on page 37 had been arrived at was given confirming that the Council dwellings are valued at the point the valuation (31 March 2014) takes place and then revisited on a cyclical basis and confirmed the depreciation was then calculated on a straight line basis.

It was confirmed that the value of the land on which a dwelling stands was included in the dwellings value.

Head of Central Services agreed to see if for next year these figures could be made clearer on how they are arrived at following on from the above discussion and a query being raised as to why the capital equipment and plant were not treated in the same way.

The recommendation that the Statement of Accounts for 2013-14 be approved and signed by the Chairman was accepted unanimously.

RESOLVED that the Chairman approve and sign the Statement of Accounts for 2013-14.

G.22. EXTERNAL AUDIT ANNUAL GOVERNANCE REPORT 2013/14

Alison Breaden(AB) on behalf of the External Auditors PwC presented their report (copies of which had previously been circulated). A document detailing Managers responses to the summary of internal control deficiencies on page 15 were distributed by the Head of Central Services.

AB expressed her thanks for the questions and the interest the Members had shown in the previous item.

Confirmation was given that the Audit Plan presented in March 2014 has been reviewed and the conclusion has been reached that it remains appropriate with risk based work being tailored accordingly.

Alison pointed out the following areas in the report.

Risk

(Page 4) Meeting the financial challenge – assumptions have been made that funding streams will continue for the next few years.

(Page 5) – changes to the Authority`s finance team – there have been a few changes over the last 18 months and the team have done a really good job as there are no particular issues which have arisen as a consequence.

Significant Audit and Account Matters

It should be noted that these are all green with no significant issues with only none or some minor improvements required in the individual areas.

Judgements and accounting estimates

(Page 9) – Business rates appeals provision.

A provision of £156K has been included in the draft accounts as estimated at 31 March 2014. It was suggested this was lower by £55K than it could have been based on a different methodology for calculating the provision and could be increased. The Head of Central Services confirmed that local knowledge together with monitoring and tracking using the tool Analyse LOCAL had also been applied to produce what was considered a well-informed figure. The Committee considered this and decided to keep the figure of £156K.

Management representations

(Page 10) – Related Parties

It was clarified that Members need to go to Officers for clarification for the amounts that need to be declared if they are unsure. Updated guidance to be issued and guidance notes to be refreshed for the 2014/15 statement of

accounts process. The importance of completing and keeping the related party forms up to date was stressed to the Members.

Targeted Audit Work

(Page 13) – Meeting the Financial Challenge

No specific concerns at the present time as the finances look pretty stable, however, in three years things may become more challenging.

(Page 13) – Corporate planning and performance reporting

Corporate Risk Register Item 13 on the agenda recognises the risk regarding the continued funding of children.

Increased number of vulnerable families as a result of welfare reform is a concern, however, this is already being looked at.

Internal Controls

(Page 15) – Collection Fund Arrears

5 years is a suggested period to look back at historical trends and the provision for this looks high. It was confirmed that if someone is a current resident a debt is not written off until all recovery processes have been exhausted.

An additional resource is being recruited to review the outstanding Council Tax arrears to help identify collectible Council Tax and that which needs to be written off. New burdens money has been used to help with payment plans and those vulnerable as a result of the welfare reforms. Members mentioned in the past names were brought to committee confidentially where debts were to be written off in order to check if Members were able to provide information that Officers were unaware of especially with regard to location if the person was unable to be traced. Monitoring Officer to check legislation to see if this was the reason why this had ceased to happen or an alternative reason.

It was confirmed that if a debit is written off, the information of the debt can still be checked in the future.

Risk of Fraud

Page 17 – It was commented that the wording was strong and clear as to the responsibilities around the risk of fraud. Clarification was sought as to how a Member could report any suspicions they may have that fraud was/had taken place. Any suspicions should be reported either to the Section 151 Officer or the Internal Auditors, however, if the Member did not feel able to report to these people due to the nature of the issue they should contact Alison either by telephone or letter.

Members asked for the Head of Central Services to look at the Depreciation policy being presented in a clearer fashion next year.

RESOLVED that the report be noted

G.23. PROTECTING THE PUBLIC PURSE – PRESENTATION

by Neil Mahon of PwC

Neil presented an Audit commission presentation regarding fraud which has been based on the returns that every local authority is asked to prepare every year.

Intro

- Fraud costs local government in England £2 billion per year (£20 billion in the public sector)
- Fraud is never a victimless crime (we all pay for the cost of it in some form)
- Councillors have an important role in the fight against fraud
- Purpose of Fraud Briefing at your council
- Opportunity for councillors to consider fraud detection performance, compared to similar local authorities
- Reviews current counter fraud strategy and priorities
- Discuss local and national fraud risks
- Reflect local priorities in a proportionate response to those risks
- Nationally the number of detected frauds has fallen by 14% since 2011/12 and the value by less than 1%, however, this could be an accurate reflection of less frauds taking place or it could reflect due to budget cuts and staff reductions less resources are being allocated to detecting and taking cases through to conclusion.
- Interpreting Fraud Detection results needs to be done contextually and comparative information is needed to interpret results.
- Detected fraud is indicative, not definitive, of counter fraud performance (prevention and deterrence should not be overlooked.
- Social Housing Fraud – illegal subletting is an issue
- Right to Buy Fraud – organised criminals are using this as a way to launder money
- Disabled parking – this could be negligible for Melton as mostly County Council unless car parking income was reduced as a result.

Other types of fraud are Procurement, Insurance (both own staff and external ie public tripping), Economic & Third sector (Grants), Internal Fraud (expenses, timesheets etc).

It was clarified that fraud is receiving goods or services dishonestly or by deception which is where it is hard to prove whether deliberate or not legally. The Head of Central Services informed the Committee that Leicester City Council has put a bid forward to the DCLG and are looking to share a Counter Fraud service which would be for 2 years cost neutral to this council. Services provided would be help with Fraud reporting, insurance, data matching services and subsequent investigation and prosecution services which Melton as a small council would struggle to be able to resource with the correct expertise on our own.

The Head of Central Services advised that Melton for example with the Single Person Discount do detect occasions where this is claimed when not entitled to but this is not necessarily logged as fraud but initially recorded as to the reason when there has been a change of circumstances and these have not been advised to the Audit Commission. Data matching also helps on spotting these occasions when circumstances change. It was mentioned that the letters issued regarding this particular allowance are found to be a very useful reminder to people to ensure their details are correct.

It was commented that the figures in the presentation would be useful to be in percentages as well as the raw figures.

An document entitled Appendix 3 – Questions for councillors to support 2013 individual fraud briefings – was handed out.

The Head of Central Services advised that the Management Team had a document relating to Fraud risk which they would be discussing in the future. Any issues arising from this should be brought to the committee together with this appendix 3 to be discussed and opened to all Members seeking their views.

RESOLVED that **information from the presentation be noted.**

RESOLVED that the Public be excluded during the consideration of the following item of business in accordance with Part 1 of Schedule 12A of the Local Government Act 1972 (Access to Information: Exempt Information) under paragraph 1&2

G.24. **EXTERNAL AUDIT REVIEW OF THE CREDITORS FUNCTION**

The External Auditors presented a report (copies of which had previously been circulated to Members, full colour versions were distributed at the meeting) this reported on the outcome of a review of the Creditors Function. **RESOLVED** that **the report be noted**

The meeting resumed public session.

G.25. **UPDATE ON INTERNAL AUDIT**

The Head of Central Services submitted a report (copies of which had been previously circulated to Members) these have subsequently had a fees figure in 3.3 and 3.6 redacted) to provide members with an update on the changes to the management of the Internal Audit team following the retirement of the Head of the Welland Internal Audit consortium.

After an unsuccessful recruitment process and other various options having been looked at the Local Government Shared Service (LGSS) venture owned by Cambridgeshire and Northamptonshire County Councils have been engaged to provide interim management support. They have been appointed from 4 August 2014 to end of March 2015 under a Service Level Agreement. The officers from LGSS who will be working with the Council are Jonathon Idle (Head of Internal Audit, LGSS) and Rachel Ashley-Caunt (Principal Auditor, LGSS). Rachel will also act as the lead auditor for Melton.

RESOLVED that **the Committee notes the arrangements in place up until the end of the financial year.**

G.26. **INTERNAL AUDIT 2014/15 INTERIM REPORT**

Jonathon Idle (JI) on behalf of the Internal Auditors LGSS presented their report (copies of which had previously been circulated to Members).

The progress achieved in delivering the 2014/15 plan is set out in Appendix A. This is a report which was completed by the previous Head of the Consortium and has been reviewed by LGSS.

He drew attention to the following points within the report

2.2 LGSS are reviewing options for resourcing the audit plans and it is expected that this target will be achieved.

Future reports will have more detail in the comments sections and recommendations where required.

RESOLVED that **the Members note the report.**

G.27. UPDATE ON BENEFITS PERFORMANCE

The Head of Communities and Neighbourhoods submitted a report (copies of which had previously been circulated to Members) which was presented by the People and Places Manager for Melton Borough Council to update the Community on current benefit performance and measures that have been put in place to effectively manage performance in relation to benefit processing across the authority.

The whole service is being reviewed and this is the start of this process.

An analysis of performance from all the processing staff has taken place and several performance management initiatives are now well embedded which have already sorted the underlying problems with clear targets for both front and back office. This should help identify where there are training needs. Targets have not been set at 98% initially. The actual figures from April to July have increased already from 88% to 92%.

Quality Assurance is in place and being used to check initial inputs. Our errors have cost in audit expenses and the results due to these recent changes which have been made and in the processes will not be apparent until 2016/17 in the opinion of the People and Places Manager.

Future developments involving the `My Account` online forms, will be designed in a way to try and eradicate human errors.

RESOLVED that

- 1) **The Committee notes the current performance of benefit processing and agrees to the proposed new performance measures as set out in Appendix 1.**
- 2) **The Committee notes the audit findings reported by PwC(External Auditors) as set out in Appendix 2**
- 3) **A Report be brought back to the Committee by 31st March 2014.**

G.28. RISK MANAGEMENT ANNUAL REPORT

The Head of Central Services submitted a report (copies of which had previously been circulated to Members) to update Members on the management of risk within the Council during 2013/14.

The service plans for 2014/15 were utilised to update the corporate risk register including an action plan for each risk.

The Council's insurance provider Zurich Municipal provided training on Reputational Risk Management, Inspection Regime, Review of the Lift Management Contract, Property Risk survey of the cattle market.

This Council's reliance on IT was raised as a concern. Reassurance was given by the Head of Central Services that individual service plans include IT risks. The impact of complete IT failure is high but it's likelihood is low. Various backups in different forms happen regularly depending on the data and the infrastructure. Equipment is being replaced is on a rolling programme. Disposal of our old IT equipment such as laptops is through the delegated arrangement within the contract so lies with the contractor.

The Chairman had asked Head of Central Services the following 4 questions which she will answer and circulate her replies to the Committee.

1. Are we insured against breaches in our cyber security?
2. What are the penalties for losing a Council laptop?
3. Security of software suppliers who have limitless access to our systems?
4. Do we have any insurance against information from our Council falling into the wrong hands?

RESOLVED that:

- 1) **the report be noted.**
- 2) **that the latest risk management action plan as attached at Appendix A be approved.**
- 3) **All risks to be brought to this Committee as no Lead Member.**

G.29. CODE OF CONDUCT UPDATE

The Monitoring Officer submitted a report (copies of which had previously been circulated to Members) to update the Committee on the latest position with regard to standards matters including the Code of Conduct, the Registration of Disclosable Pecuniary Interests and Other Interests and any complaints against Councillors dealt with under the Council's process.

Since July 2012, the Complaints Process has been applied to 33 complaints, with 22 of complaints resolved and the remaining 11 in progress. Of those in progress 1 has been referred to the Police re DPI, 8 are at Informal Resolution stage and 2 are at Stage 2.

In response to a query regarding if a Member could comment on how they felt the complaint procedure had gone after a complaint had been completed. The Monitoring Officer confirmed she would always welcome feedback when a complaint was closed, however, she reminded Members that under the Localism Act which controls how the process is conducted she would be limited in any action she would be able to take to make any changes.

Concern was expressed about the criminal offence of non-registration of a disclosable pecuniary interest within 28 days and as to whether or not this was the same for removing them. The Monitoring Officer confirmed there were not the same legal penalties for removing interests, therefore, always best to declare if not sure on the position. If Members need to change their interests in anyway please ask the Senior Democracy Officer for a new form.

RESOLVED that the update on the position of standards matters including Parishes` Registration of Disclosable Pecuniary Interests and Other Interests and complaints against Councillors dealt with under the provisions of the Localism Act is noted.

G.30. TASK GROUPS

a) Award of Merit Task Group

Membership for 2014/15 – agreed as noted

G Bush

P Cumbers

J Douglas (New as Deputy Mayor)

A Freer-Jones

E Holmes

N Slater

J Wyatt

M Gordon

No responses had been received from M Barnes and J Illingworth and in their absence it was agreed they could be on the group if they expressed an interest.

Cllr Orson put forward a suggestion as an amendment to the recommendations. This was seconded by Cllr Douglas and agreed. This was for the Task group to consider making a formal approach to the Melton Times to look at the possibility of a jointly run event. This is to be discussed at the Award of Merit Task Group.

b) Performance Management Task Group

Membership for 2014/15 – agreed as noted

G Bush

J Douglas

E Holmes

M Graham

V Manderson

N Slater

M Gordon

Cllr Gordon questioned whether she could be on the group being an individual Councillor and the Monitoring Officer advised she would check the Task Group Protocol and advise the Member accordingly.

RESOLVED that

- 1) **Members as listed above appointed to the Award of Merit Task Group**
- 2) **Task group considers working in partnership with Melton Times**
- 3) **Members as listed above appointed to the Performance Management Task Group**
- 4) **The terms of reference in respect of the Performance Management Task Group are accepted**

G.31. LOCAL GOVERNMENT OMBUDSMAN – STATISTICS

The Monitoring Officer submitted a report (copies of which had previously been circulated) to update the Committee on information published by the Local Government Ombudsman regarding decisions made regarding complaints against Local Authorities in 2013/14.

RESOLVED that the Committee notes the information provided in Appendix A.

G.32. CONSTITUTION UPDATE 2014 -15

The Monitoring Officer submitted a report (copies of which had previously been circulated to Members) to consider constitutional items and those agreed be referred to the Council for approval to be incorporated into the Council's Constitution.

Members were asked to consider the following:

(a) To consider whether to agree a policy for the Recording of Council Meetings as set out at Appendix A and refer the same to the Full Council for approval and inclusion in the Council's Constitution.

(b) To consider whether to agree the following additional paragraphs to the Contract Procedure Rules and refer the same to the Full Council for approval and inclusion in the Council's Constitution:-

2.1.2(d) An Officer must not enter into separate contracts nor select a method of calculating the Total Value in order to avoid the application of these rules.

And

1.3.7 (after the Exemptions and Exceptions information currently in the Rules)

"In circumstances where a competitive process (as described in Rule 2) has been attempted and no submissions from suppliers/providers have been received, the matter should be referred to the Head of Central Services for a decision on how to proceed".

RESOLVED that

- 1) The policy for the Recording of Council meetings as set out at Appendix A be referred to the Full Council for approval and inclusion in the Council's Constitution.**
- 2) The additional paragraphs to the Contract Procedure Rules as contained in the report and noted above be agreed and referred to the Full Council for approval and inclusion in the Council's Constitution**

G.33. URGENT BUSINESS

There was no other item that the Chairman considered urgent business.

The meeting which commenced at 6.30 pm, closed at 9.05 pm.

Chairman