

GOVERNANCE COMMITTEE

PARKSIDE, STATION APPROACH, BURTON STREET, MELTON MOWBRAY

7 FEBRUARY 2017

PRESENT

Councillors P.M. Chandler (Chair),
M. Blase, J. Douglas, J. Hurrell, J. Illingworth,
J.B. Rhodes, M. Sheldon

As Observer
Councillor E. Holmes

Chief Executive
Head of Communications and Monitoring Officer,
Head of Central Services,
Administration Assistant – Communications & Member Support

Internal Auditor (LGSS) – Rachel Ashley-Caunt

G46. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Cumbers, Manderson and Simpson.

G47. MINUTES

The Minutes of Governance Committee held on 22 November 2016 were confirmed and authorised to be signed by the Chairman.

The Minutes of Governance (Parliamentary Constituency Boundary Review) Sub Committee held on 2 December 2016 were noted.

G48. DECLARATIONS OF INTEREST

Councillor Rhodes declared a personal interest in any items related to the Leicestershire County Council due to his role as a County Councillor.

G49. RECOMMENDATIONS FROM OTHER COMMITTEES

There were no recommendations from other Committees.

G50. UPDATE ON DECISIONS

The Chief Executive submitted a report (copies of which had previously been circulated to Members) which provided an update on decisions from the previous meeting of the Committee. There being no comments or questions forthcoming from Members, it was

RESOLVED that the Update on Decisions document be noted.

G51. ANNUAL EXTERNAL AUDIT PLAN

Vishal Savjani of Ernst Young, the External Auditor

(a) presented the 2016-17 Audit Plan (copies of which had previously been circulated to Members) which included an analysis of key risks, the audit strategy, reporting and timescale

(b) gave a brief overview of the report, detailing its scope and highlighting the main items covered as follows:-

- audit's opinion on this Council's financial statements and assessment of significant risks (identified as the risk of fraud in revenue recognition and the risk of management override) and other risks (identified as valuation of property, plant and equipment and financial statements presentation – expenditure and funding analysis and comprehensive income and expenditure statement) and external audit's approach to these risks
- this Council's responsibilities in respect of preventing and detecting fraud and error and external audit's responsibility to obtain reasonable assurance regarding the accuracy of financial statements
- the requirement on external audit to consider if this Council had in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Having considered both the potential financial impact of the issues identified and the likelihood that the issues would be of interest to local tax payers, the Government and other stakeholders, the Auditor confirms that there was nothing significant to report to Members on risks to value for money. This assessment will be revisited
- the audit process and strategy, including mandatory procedures, in relation to reviewing and reporting on this Council's financial statements and its arrangements for securing economy, efficiency and effectiveness in its use of resources
- external audit's interim work would take place in March 2017 and any significant changes to the audit plan as a result would be reported to this Committee at the earliest opportunity
- the requirements placed on external audit to work independently and objectively to this Council

A Member queried what the annual turnover was and the Head of Central Services confirmed this as twenty to thirty million pounds. There being no further questions, it was

RESOLVED that the report be noted.

G52. CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2015-16

Vishal Savjani of Ernst Young, the External Auditor

- (a) submitted a report (copies of which had previously been circulated to Members) summarising the results of grant certification work undertaken for the financial year 2015-16
- (b) gave a brief overview of the report, highlighting the main items covered in relation to the certification of this Council's housing benefits subsidy claim as follows:-
- errors identified in this Council's 2014-15 claim, which mainly related to the calculation of a claimant's income but also to the application of tax credits and classification of overpayments did not appear to have been resolved. Audit carried out extended testing in 2015-16 and continued to find errors in the calculation of claimant's earned income (which this Council corrected). The amendments reduced the grant due from £8,901,385 to £8,898,106
 - as a result of the 2014-15 findings audit had recommended that this Council focus on training its staff and undertake in year reviews of claims. It was noted that corrective steps had been undertaken to reduce repeated errors and a similar recommendation to that of the previous year was made in view of the 2015-16 findings (to be implemented by 31 March 2017)
 - external audit had reported the errors to the Department for Work and Pensions (DWP), in a qualification letter
 - external audit acted as reporting accountants in relation to the Pooling of Housing Capital Receipts returns, providing separate reports to this Council. There were no significant issues identified as part of this work

Members noted that a total of twenty-eight errors had been identified by the audit and queried what percentage this was of the total number of claims.

Mr. Savjani advised that just over one hundred and forty claims had been reviewed, revealing a total of twenty-eight errors. He clarified that this did not mean that twenty-eight claims out of one hundred and forty were erroneous and as such it was not possible to quantify the errors as a percentage of the claims reviewed. He further advised that in many instances, errors may result from claimants providing incorrect information to this Council.

A Member asked why Officers were not able to identify the errors, which audit had found and whether this was a training issue.

The Head of Central Services advised that this Council undertook quality checks and successfully identified errors but not all were identified due to a combination of training needs and human error.

The Chief Executive confirmed that support for staff would be increased.

Members queried the size of the team dealing with this work, whether each staff member was on a permanent contract and if they were audit trained.

Officers were unable to give an exact number in relation to the size of the team but confirmed all were employed on a permanent basis with this Council. The Monitoring Officer further advised that the quality assurance work was usually undertaken by the Team Leader. The Chief Executive confirmed that staff involved in the work were trained to deal with the checks but were not audit trained. She commented that there were details an auditor would identify as a result and there was something for consideration here.

Members noted that the checks undertaken had been a 'sample size' and suggested that there was potential to reveal a higher amount of errors should a wider review of claims be undertaken.

It was suggested that the Head of Welland Internal Audit Consortium review this further as part of the 2017/18 audit plan. In addition the committee requested that there be a report back to a later meeting with more information regarding the quality assurance process, training and some context to the numbers found to be inaccurate and the trend over time.

RESOLVED that

- (1) a further report be submitted to this Committee on errors in housing benefit subsidy claims;
- (2) focus be given to training, support and an in year review of claims.

G53. **INTERNAL AUDIT UPDATE REPORT**

The Head of Welland Internal Audit Consortium

- (a) submitted a report (copies of which had previously been circulated to Members) which updated the Committee on progress made in delivery of the 2016-17 Annual Audit Plan and key findings arising from audit assignments completed since the last Committee meeting
- (b) advised that this was the latest report on the outcome of Internal Audit assignments and the performance of the Internal Audit team
- (c) confirmed the current status of all assignments as shown in Appendix A and that delivery was on track for the end of March 2017, with 79% of assignments completed to at least draft report stage, at the time of reporting
- (d) stated that since the last Committee meeting
 - three reports had been finalised as summarised in Appendix A, Section 2.5
 - i. Treasury Management: The Council's Treasury Management Strategy set out the rules governing the placement of transactions. This included the length of time a placement could be made for and the maximum amount of placements with any institution. The Council used credit rating listings provided by its Treasury Management Advisor to ensure that investments were made with institutions meeting the Council's approved criteria. Appropriate separation of

duty and approval was in place regarding Treasury Management Transactions. A Substantial Assurance opinion had been given, with no formal recommendations made.

- ii. Staff Training and Development: The Council had established a well-designed employee appraisal process. The appraisal covered all key areas, such as a review of the employee's objectives and competencies, based on the Council's corporate values. It also set the employee's goals and expectations for the next twelve months and a personal development plan (PDP). Testing highlighted, however, some inconsistencies in completion of appraisals and monitoring arrangements were recommended to promote the completion of these and ensure they were uploaded to the relevant system. It was also recommended that a Training and Development Policy be adopted and taken as an opportunity to roll out to staff and emphasise the value of the appraisal process. Overall, an opinion of Sufficient Assurance was given over the risk areas and nine recommendations were been made.
 - iii. Grounds and Environmental Asset Maintenance: Based on information available, the performance of the service was considered to be good. In order to further evidence the performance and expectations, it was recommended that a service specification and performance measures be implemented. All vehicles, plant and equipment were recorded on a formal inventory. It was noted during testing, however, that the inventory had not been updated since 2014 and was not consistent with items held. Recommendations were made to ensure that this remained up to date and fit for purpose. Since the last audit in 2012-13, a Capital Renewals Plan had been adopted. It was noted, however, that this had not been recently updated. Following a history of budget overspends, the budgets for the service were now subject to much scrutiny and the budget forecast for the current year stated that no over spend was expected. Overall, an opinion of Sufficient Assurance was given over the risk areas and nine recommendations were been made.
- the progress report included a summary of further work conducted by the Internal Audit service as detailed in Appendix A, Section 2.7. One of the additional assignments related to the Chief Executive's Leisure Vision report at item 12 on the agenda. One section of this was provided as an exempt extract, due to the nature of subject area.
 - one additional recommendation had been made to amend the Audit Plan to defer the audit of the Out of Hours Standby Service to 2017-18 and use these days to cover the unplanned work on the investigation.

Members commented that this was a comprehensive report and asked to move into exempt session to discuss Section 2.7 of Appendix A, relating to additional work delivered by the Internal Audit Service.

EXCLUSION OF THE PUBLIC

RESOLVED that the Public be excluded during the consideration of Part the above 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 and 7.

There was a discussion on the exempt section of the report.

(The meeting resumed open session.)

RESOLVED that

- (1) the report be noted together with the progress made by the Internal Audit team in delivery of the Audit Plan;
- (2) the Audit Plan for 2016-17 be amended, as proposed, deferring the audit of the Out of Hours Standby Service to 2017-18 and re-allocate the 15 audit days to cover fraud investigation work.

G54. CODE OF CONDUCT UPDATE

The Monitoring Officer

- (a) submitted a report (copies of which had previously been circulated to Members) which updated 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
- (b) gave a brief overview of the report, advising that
 - there were no concerns regarding the registration of Disclosable Pecuniary Interests and other interests
 - there were no outstanding complaints to date
 - the term of office of the current Independent Persons ends in July 2017 and one of the Independent Persons has resigned with immediate effect. A recruitment process is due to start soon
 - Parish Representatives are usually appointed early in the new Civic year by the Melton Branch of the Leicestershire and Rutland Association of Local Councils
 - Grant Thornton auditors had contacted her again, concerning the Annual Return of Belvoir Parish Council. Support had been offered to the Parish Council Chairman. To date no response had been received

Members expressed concerns over the unresolved issue of Belvoir Parish Council's Annual Return and queried what more could be done by this Council to prompt the Parish Council to act. A Member confirmed he too had tried to make contact with the Parish without any success.

The Monitoring Officer confirmed that a copy of the letter to the Parish Council from Grant Thornton auditors had also been sent to the Secretary of State. It had been brought to her attention through a member of staff that the Parish Clerk had resigned and a new clerk had not been appointed. The Council had not been notified formally. Specialist legal advice on any further action the Council can take is being sought.

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 be noted.

G55. **CONSTITUTION UPDATE 2016-17**

The Monitoring Officer

(a) submitted a report (copies of which had previously been circulated to Members) to enable the Committee to consider items relating to the Council's Constitution for onward referral to the Council for adoption and incorporation into the Council's Constitution

(b) gave a brief overview of the report, advising

- that the items on this report result from Member's request at the November 2016 meeting of this Committee to update some areas of the Constitution
- the Head of Regulatory Services had reviewed Planning matters, as in Appendices A and B and the proposed amendments were shown in red
- the example Attendance Register of the revised Substitute Policy, as in Appendix C was amended to include only current Members
- an update has been implemented to reflect the current Equality Act.

A Member suggested that the two days notice specified in relation to ward members addressing the Planning Committee as detailed in Appendix A of the report was unnecessary and Ward Councillors should be able to do this without giving notice. The Monitoring Officer agreed to consult the Head of Regulatory Services and bring back to this Committee on 4 April 2017.

Members requested that Officers consider the development of a process to assist Parishes and other objectors when the local Ward Councillor had an interest in an application or applications. This request was noted by the Monitoring Officer.

A Member commented that there were minor grammatical errors, which needed amendment and the Monitoring Officer agreed to correct them.

RESOLVED that the documents listed in the report be approved by this Committee and be referred to Full Council for adoption by this Council.

G56. **URGENT BUSINESS**

There was no urgent business

EXCLUSION OF THE PUBLIC

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 3.

G57. EXEMPT LEISURE VISION UPDATE

The Chief Executive submitted a report (copies of which had previously been circulated to Members) advising Members on the further actions taken following the discussion of this matter at the meeting of 20 September 2016 of this Committee

RESOLVED that three resolutions be approved and these be set out in full in the exempt minute.

The meeting which commenced at 6:30 p.m., closed at 8:00 p.m.

Chairman