



Rural Capital of Food

Agenda

Meeting name	Governance Committee
Date	Tuesday, 6 June 2017
Start time	6.30 pm
Venue	Parkside, Station Approach, Burton Street, Melton Mowbray LE13 1GH
Other information	This meeting is open to the public

Members of the Governance Committee are invited to attend the above meeting to consider the following items of business.

Lynn Aisbett
Chief Executive

Membership

Councillors	P. Cumbers (Chair) T. Beaken P. Chandler P. Faulkner P. Posnett	J. Simpson (Vice-Chair) M. Blase J. Douglas J. Illingworth B. Rhodes
Substitutes	M. Graham	T. Greenow

Quorum: 4 Councillors

Meeting enquiries	Catherine Richards
Email	crichards@melton.gov.uk
Agenda despatched	Monday, 29 May 2017

No.	Item	Page No.
1.	APOLOGIES FOR ABSENCE	
2.	MINUTES To confirm the minutes of the meeting held on 4 April 2017.	1 - 14
3.	DECLARATIONS OF INTEREST Members to declare any interest as appropriate in respect of items to be considered at this meeting.	15 - 16
4.	RECOMMENDATIONS FROM OTHER COMMITTEES There are no recommendations from other Committees.	
5.	UPDATE ON DECISIONS The Chief Executive to submit an update on decisions from previous meetings of the Committee.	17 - 18
6.	CAPITAL PROJECT MONITORING The Chief Executive to submit a table advising Members of procurement and procedural stages of a sample of projects.	19 - 22
7.	INTERNAL AUDIT ANNUAL REPORT 2016/17 The Head of Internal Audit to submit a report to satisfy the Accounts and Audit Regulations by providing Members with the opportunity to consider a report from the Head of the Council's Internal Audit function on the performance of Internal Audit during the year and the 'Internal Audit Opinion' on the Council's system of internal control and its arrangements for risk management and governance.	23 - 60
8.	INTERNAL AUDIT CHARTER AND STRATEGY The Head of Internal Audit to submit a report which provides Members with a copy of the Counter Fraud and Corruption Policy for review and approval.	61 - 76
9.	COUNTER FRAUD AND CORRUPTION POLICY 2017 The Head of Internal Audit to submit a report which provides Members with a copy of the Counter Fraud and Corruption Policy for review and approval.	77 - 96
10.	SUBSISTENCE ARRANGEMENTS The Head of Communications to submit a report at the request of the Full Council, which requests the Committee consider whether to provide refreshments before evening meetings and if so, the budget implications of doing so and refer its recommendations back to Full Council.	97 - 100

11.	<p>RECONSTITUTION OF TASK GROUPS <u>Award of Merit Task Group</u> The Committee to:-</p> <p>(a) Reconstitute and appoint members to the Award of Merit Task Group which usually includes the current Mayor and Deputy Mayor</p> <p>(b) Consider and agree the terms of reference in respect of the Mayor's Awards as set out in the Appendix</p> <p><u>Performance Management Information Task Group</u> The Committee to:-</p> <p>(a) Reconstitute and appoint members to the Performance Management Task Group</p> <p>(b) Consider and agree the terms of reference in respect of the Performance Management Task Group as set out below :-</p> <ul style="list-style-type: none"> •To have oversight of the Councils Performance Management System and monitor the Councils Improvement Plan, as required. •To monitor the openness of the Council in its dealings, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so. •To ensure that the Council has satisfactory measures in place to promote economy, efficiency and effectiveness. •To consider reports of inspection agencies and seek assurance that action is taken on any issues raised in these reports. 	101 - 102
12.	<p>CODE OF CONDUCT UPDATE The Monitoring Officer to submit a report 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.</p>	103 - 106
13.	<p>CONSTITUTION UPDATE 2017/18 The Monitoring Officer to submit a report to request that the Committee consider constitutional items and those approved will be referred to the Council for adoption and incorporation into the Council's Constitution.</p>	107 - 122
14.	<p>URGENT BUSINESS To consider any other items that the Chair considers urgent.</p>	
	<p>EXCLUSION OF THE PUBLIC RECOMMENDED 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 paragraphs 1 and 2.</p>	

15.

FRAUD LOG 2016/17

The Head of Internal Audit to submit a report which provides Members with an update on any suspected non-benefit frauds reported to Internal Audit during 2016/17 and also includes details of work undertaken during the year to further develop the Council's counter fraud controls.

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GOVERNANCE COMMITTEE

PARKSIDE, STATION APPROACH, BURTON STREET, MELTON MOWBRAY

4 APRIL 2017

PRESENT

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

Head of Central Services,
Head of Communications and Monitoring Officer
Head of Communities and Neighbourhoods,
Head of Regulatory Services,
Head of Internal Audit,
Environmental Protection & Safety Manager
Welfare Housing & Community Safety Manager
Senior Democracy Officer
Benefits Officer
Administration Assistant – Communications & Member Support

Vishal Savjani, Ernst Young (External Auditor)

G58. APOLOGIES FOR ABSENCE

There were no apologies for absence. Councillor Hurrell was not present.

G59. MINUTES

The Minutes of Governance Committee held on 7 February 2017 were confirmed and authorised to be signed by the Chair.

The Chair advised that they would move into exempt session later in the meeting to discuss the exempt minutes dated 7 February 2017.

G60. 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.

Councillors Chandler and Cumbers both declared prior involvement in this year's Mayor's Award of Merit Scheme (item 14 on the agenda for this meeting). Councillor Chandler advised she was on the panel responsible for

agreeing the Award of Merit candidates. Councillor Cumbers advised that she nominated a candidate to the panel.

G61. RECOMMENDATIONS FROM OTHER COMMITTEES

There were no recommendations from other Committees.

G62. UPDATE ON DECISIONS

On behalf of the Chief Executive, the Head of Central Services 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.

G63. CAPITAL PROJECT MONITORING

On behalf of the Chief Executive, the Head of Central Services

- (a) submitted a table (copies of which had previously been circulated to Members) advising Members of procurement and procedural stages of a sample of contracts;
- (b) provided an overview, advising that the table had been submitted in response to Members' requests to be advised of procurement and procedural stages of a selection of contracts;
- (c) highlighted the purpose of the table was to enable Members to consider the governance arrangements of the projects selected;
- (d) confirmed that all Lead Officers were present to answer questions from Members on the selected projects.

The Head of Communities and Neighbourhoods

- (a) circulated the following handouts for the Beckmill Court project
 - i. Beckmill Court External Refurbishment and Upgrade for Melton Borough Council Property Order
 - ii. Beckmill Court External Refurbishment and Upgrade for Melton Borough Council Mobilisation
 - iii. Beckmill Court External Refurbishment and Upgrade for Melton Borough Council Activity Schedule
 - iv. Beckmill Court Refurbishment Risk Register
- (b) Provided an overview of the project, advising Members that Officers had a clear understanding of the work involved to ensure the success of this project. From the procurement stage there had been a focus on potential risks and how to mitigate these. The Risk Log which had been

drafted at that time would be refreshed and key tasks and actions identified and formalised at a monthly meeting. The advanced documents for the build had been procured and there was a tight timescale to work to.

A Member queried if the value of the cost had been related to the risk on the Risk Log. The Head of Communities and Neighbourhoods advised that a Cost Database for Actions showed the cost value and in addition, monthly budgets would be scrutinised. The procurement stage had shown the initial costing was well within the tender figure. It was anticipated that all aspects to follow would be delivered within budget but there was also a contingency budget in place.

A further comment was made by another Member seeking clarity on the scale of the refurbishment. The Head of Communities and Neighbourhoods confirmed that 'significant improvement' would be made to Beckmill Court. There would be major works undertaken, which would benefit current tenants and there had been considerable consultation concerning this. Every effort would be made to work around the needs of the tenants and mitigate any disruption to them throughout the refurbishment project.

Another Member commented that this was a complex and lengthy project and queried if one meeting each month to discuss the project was sufficient. The Head of Communities and Neighbourhoods confirmed that an on-site weekly meeting would also be held.

A Member queried who residents could direct their queries to during the refurbishment project. The Head of Communities and Neighbourhoods confirmed that the first point of contact for tenant queries was the Tenant Liaison Officer.

A Member asked if there were any privately owned flats at Beckmill Court and if so, were the owners paying towards the cost of the refurbishment. The Head of Communities and Neighbourhoods confirmed that some of the flats were privately owned and there was a Section 20 notice period in place.

There being no questions from Members on the Commercialism or Modern.gov projects it was

RESOLVED that the Capital Project Monitoring document be noted.

G64. INTERNAL AUDIT UPDATE REPORT

The Head of Internal Audit

(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) stated that since the last Committee meeting

- three reports had been finalised as summarised in Appendix A, Section 2.4

- i. Monitoring of Section 106 Agreements: The audit reviewed two risk areas. Firstly, regarding the agreement of Section 106 obligations and secondly, the monitoring of such obligations to ensure that all secured contributions were received and utilised. Assurance was given over the negotiation processes, the involvement of relevant parties and early engagement. It was also confirmed that a monitoring record was held to ensure trigger points and contributions were identified and followed up, as appropriate. Upon audit testing, it was determined that there was some scope for improvement on this record and some recommendations were made in this area. Based upon the findings of the review, an opinion of Sufficient Assurance was given on the controls in place to manage the identified risks. Internal Audit made four recommendations to further improve the control framework, all of which were agreed by management.

- ii. Disclosure and Barring Service (DBS) Checks: DBS checks should be undertaken for any officers who would have been in posts involving regular, unsupervised contact with vulnerable people. This Council is responsible for granting licences for taxi and private hire drivers and these must be subject to a DBS check on past convictions and barring from working with adults and children. Audit testing confirmed that this Council held a list of DBS posts, which were positions at this Council where any new starters must be subject to checks and three yearly renewals. This was reviewed and some recommendations made in relation to the list to ensure this was complete and appropriate. In relation to the taxi and PHV licences, all new licences had been subject to a DBS check. It was identified, however, that some renewals had been given based on previous DBS checks (within last 3 years) due to a change in renewal frequency. Some recommendations were made to strengthen the taxi licensing policy and the DBS policies. Based upon the findings of the review, an opinion of Sufficient Assurance was given over the controls in place to manage the identified risks. Internal Audit made thirteen recommendations to further improve the control framework.

- iii. Financial System Key Controls: The audit focussed on payroll processes, housing benefit claims and changes, council tax, national non-domestic rates (NNDR) and income collection and recovery. Payroll processes and controls were designed well and operated effectively, with only minor immaterial errors identified by Internal Audit. Audit testing provided assurance that new benefit claims and changes were complete, supported by evidence and accurately input onto the benefits system, with only minor immaterial exceptions. However, guidance for staff on how to assess new claims could be strengthened to improve the consistency of evidence accepted. This Council had a well-defined process for the recovery of council tax and NNDR debt. Based upon the findings of the review, an opinion of Sufficient Assurance was given over the controls in place to manage the identified risks. Internal Audit made five recommendations.

- 81% of the agreed actions had been implemented. There were three overdue actions, all of which continue to be monitored.
- all remaining assignments from 2016/17 would be presented at the next meeting of this Committee on 6 June 2017

A Member commented that she was aware there had been a positive response from Members to the regular Internal Audit update reports. Members now felt better informed and the work involved in producing the report was very much appreciated.

A further comment was made by another Member concerning the likely increase in the number of Section 106 Agreements. It was queried whether a spreadsheet would be an adequate method of recording and monitoring these. The Head of Internal Audit advised that there was no 'single solution' or 'one size fits all' approach to monitoring Section 106 Agreements. She commented that multiple issues could trigger actions and that the recommendations made by Internal Audit related to improvements which could be made to strengthen this spreadsheet record, based on solutions adopted at other Councils working with LGSS. The Head of Regulatory Services advised that precautions were in place to identify problems at an early stage.

RESOLVED that the report be noted together with the progress made by the Internal Audit Team in delivery of the Audit Plan.

G65. INTERNAL AUDIT ANNUAL PLAN 2017/18

The Head of Internal Audit

- (a) submitted a report (copies of which had previously been circulated to Members) which provided the Committee with a copy of the draft Internal Audit Plan for 2017/18, for review and formal approval, in line with the requirements of the Public Sector Internal Audit Standards
- (b) stated that the plan had been developed in accordance with the risk based approach discussed with Members in November 2016 and agreed with Management Team;
- (c) highlighted that the plan aimed to address this Council's key risks, add value in improving this Council's controls and governance and was intended to inform Head of Internal Audit opinion and provide management and Committee assurances;
- (d) confirmed that any consultancy assignments were stated as such;
- (e) advised that included in the plan was the review of Leisure Vision phase 1 completion, an embedded assurance review of phase 2 and as requested at the last meeting of this Committee in February, a review on benefits;

- (f) confirmed that the items on the 'reserve list' at Appendix A, Table 2, which would not be covered during 2017/18 would be included in Audit Planning 2018/19.

Members commented on the 'Safe Driving at Work' assignment, stating that it should include all Members and compliance with policy was essential, as non-compliance could result in 'all sorts of implications'.

A Member suggested that a yearly reminder to submit relevant documentation should be sent to staff and Members. The Monitoring Officer confirmed she would review this.

RESOLVED that

- (1) the Internal Audit Plan 2017/18 be approved;
- (2) delegated authority be given to the Head of Central Services in consultation with the Chair of the Governance Committee to agree amendments to the Plan during the financial year, if required.

G66. UPDATE ON BENEFIT PERFORMANCE

On behalf of the Head of Communities and Neighbourhoods, the Welfare Housing and Community Safety Manager

- (a) submitted a report (copies of which had previously been circulated to Members) updating the Committee on current benefit performance and measures that had been put in place to effectively manage performance in relation to benefit processing across the Authority;
- (b) provided an overview of the report, advising that the 2015/16 External Subsidy audit, which was presented at the last meeting of this Committee was substantively the same as the previous year. There were no new areas of concern, so no subsidy financial penalties had been incurred by this Council;
- (c) highlighted that some of the errors identified as part of External Audit's testing regime related to typing errors and training would be targeted to deal with this and avoid future errors;
- (d) advised that the 'front' and 'back' office Benefits Teams were merged into one team on 1 April and there was a current recruitment exercise for the position of Customer Experience and Benefits Manager.

A Member queried what the time frame for the reduction of errors was. The Benefits Officer advised that there had already been some improvements as a result of the steps taken by this Council and he anticipated greater results would be evident in time. It was not possible to eradicate errors completely but Officers were committed to minimising the audit risk. He commented that merging the 'front' and 'back' Benefits Teams would have a positive impact.

A Member queried whether the training provided would adequately equip staff to deal with the work involved. The Benefits Officer confirmed that additional

training was being considered for staff and he advised that staff would always benefit from training.

A Member commented that there was a considerable amount of money involved in this area of work and queried what the potential liability of this Council would be if work was not accurate. The Benefits Officer advised that the Department for Work and Pensions (DWP) could state that 'every penny' paid to claimants was wrong but he emphasised that this was not the case. The DWP made allowances for 0.48% of delays and errors before penalising a Local Authority and even then lots of work could be done to mitigate any penalty received. He confirmed that most of the work involved in processing a new claim or change of circumstances was correct. The errors identified may only relate to a 'penny or two'. Larger amounts would be identified internally.

The Head of Central Services commented that External Audit extended testing when errors were identified and this demanded additional time and money. This Council could reduce External Audit fees and the burden on resources.

Vishal Savjani of Ernst Young, the External Auditor confirmed that if errors were decreased there would be a decline in Audit fees.

A Member queried if a lot of errors were identified by claimants and if there was any information available for claimants regarding benefits. The Benefits Officer advised that claimant were more likely to report errors involving underpayment. There had been queries raised, rather than errors identified and very few appeals. There were copies of legislation available and every letter to a claimant informed them who to direct queries to. There were one or two publications on the subject of Benefits but these were directed at Benefits processors.

A Member queried how the errors were quantified (eg did this represent one error per claimant or several?). The Benefits Officer confirmed that the errors did not relate to 'per claim' but rather checks made on the same claim or a variety of claims.

A Member queried if the DPW allowed Local Authorities to retain any savings made through error reduction. The Benefits Officer advised that there was never a surplus of money to be used a savings.

RESOLVED that the current issues and continuing actions to improve the benefit processing service be noted.

G67. LOCAL CODE OF CORPORATE GOVERNANCE

The Monitoring Officer

- (a) submitted a report (copies of which had previously been circulated to Members) requesting the Committee consider the Local Code of Corporate Governance
- (b) provided a brief overview of the report, stating that all Local Authorities were required to prepare and adopt a Local Code of Corporate Governance that complied with the CIPFA/SOLACE Framework and that

the new Code, at Appendix A complied with the new Framework. The Annual Governance Statement would be based on this new Code and must comply with it.

There being no comments or questions forthcoming from Members, it was

RESOLVED that the Local Code of Corporate Governance be approved.

G68. 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, confirming that

- there were no issues to report concerning the registration of Disclosable Pecuniary Interests and other interests
- there had been an increase in complaints. Since the last meeting of this Committee five complaints had been received (from one person)
- the term of office of the current Independent Person ends in July 2017 and a recruitment process was underway to appoint two Independent Persons
- Belvoir Parish Council had notified this Council that a new Clerk for the Parish Council was in post. The Clerk's details had been forwarded to the Auditors, to deal with outstanding matters.

A Member commented that they were aware that Parish Councillors were not leaving meetings following their declaration of interests in matters to be discussed at the meeting. The Monitoring Officer confirmed that if the disclosure related to disclosable pecuniary interests those declaring the interests must leave the meeting. However, if it was not a disclosable pecuniary interest then some codes do allow Councillors to stay but not take part or vote.

A Member confirmed that they had received an email from the new Clerk at Belvoir Parish Council, indicating that every effort was being made to resolve the issue concerning the Parish Council's Annual Return and inviting him to attend a Meeting at Knipton Village Hall. The Member extended the invitation to any Officer of this Council who also wished to attend.

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.

G69. 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 constitutional items for consideration and comment related to two planning matters, which at the last meeting of this Committee, Members had felt needed further consideration, changes to the minutes procedure and the proposed Calendar of Meetings 2017/18.

A Member commented that they felt that the suggested amendments and proposals relating to planning matters reflected what was becoming practice and worked well.

Another Member queried if this Council charged members of the public who requested that copies of the published minutes be emailed to them and suggested directing those requesting this to view the published minutes on the website instead. The Monitoring Officer confirmed that a charge only applied for hard copies of the minutes and confirmed she would look into what the Member had suggested.

The Head of Regulatory Services advised that there had been lots of requests for the minutes and recordings of the Planning Committee meetings.

A Member drew the Committee's attention to Appendix A of the report, concerning the necessity for Ward Councillors (or replacement Councillors) addressing the Planning Committee to give notice to do so at least 24 hours before the meeting. The Member suggested this Rule be relaxed at the discretion of the Committee Chair if necessary. The Chair of the Planning meeting, who was present commented that the intention was to be as accommodating as possible and stated they were happy for the suggestion to be included for approval by Full Council.

Members then commented on the minutes procedure, agreeing the importance of highlighting draft minutes as 'not yet approved'.

A Member suggested that as well as the current procedure of being printed on green paper and watermarked with a unique security number, it would be a good idea to have the word 'EXEMPT' watermarked on to exempt papers.

A discussion was held concerning the proposed Calendar of Meetings. Members commented that an earlier start time of 6pm, in line with that of the Planning Committee would be convenient to Officers. However, it was also noted that this may cause a burden to some Members due to work commitments. Members agreed that Full Council should decide whether a 'blanket' start time of 6pm for all Committee meetings was appropriate or if the start times should remain at 6:30pm.

A Member raised a query concerning Member attendance at Town Area Committee, asking whether it was necessary to attend the five Consultation meetings during the year only to declare an interest as a Member of the Planning Committee and leave the Consultation meeting. It was confirmed that current procedure required all Members to attend to declare relevant interests.

RESOLVED that

- (1) the following items be approved by this Committee and be referred to Full Council for adoption by this Council
 - i. Planning Matters. Subject to an amendment to Appendix A, reflecting that the Chair of the Planning Committee may exercise their discretion in relation to the requirement for Ward Councillors (or replacement Councillors) to give at least 24 hours notice before addressing the Planning Committee
 - ii. Minutes Procedure
- (2) the proposed Calendar of Meetings be referred to Full Council and consideration be given to retaining the start time of 6:30pm for Committee meetings or whether to change this to 6pm.

G70. Anti Bribery Policy

The Monitoring Officer

- (a) submitted a report (copies of which had previously been circulated to Members) requesting the Committee consider the Anti Bribery Policy and if approved refer it to Full Council for adoption and incorporation into the Council's Constitution;
- (b) provided a brief overview of the report, highlighting that this Council will not tolerate fraud or corruption by its Councillors, employees, suppliers, contractors, partners or service users and will take all necessary steps to investigate all allegations of fraud or corruption and pursue sanctions available in each case.

There being no comments or questions forthcoming from Members, it was

RESOLVED that the Anti Bribery Policy at Appendix A be approved by this Committee and be referred to Full Council for adoption and incorporation into this Council's Constitution.

(Councillor Simpson left the meeting during the consideration of the previous item).

The Chair moved the meeting into exempt session to discuss the Exempt Minutes dated 7 February 2017.

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 Paragraphs 1, 2, 3 and 7.

There was a discussion on the Exempt Minutes.

RESOLVED that one resolution be approved and this be set out in full in the Exempt Minute.

(The meeting resumed open session.)

The Exempt Minutes of Governance Committee held on 7 February 2017 were confirmed and authorised to be signed by the Chair.

Councillors Chandler and Cumbers reiterated their prior involvement in the following item.

G71. **MAYOR'S AWARD OF MERIT SCHEME: AWARDEES 2016/17**

On behalf of the Award of Merit Task Group, the Monitoring Officer submitted a report (copies of which had previously been circulated to Members) presenting the recommendations of the Award of Merit Task Group.

The Chair commented that the consideration of nominees had been conducted in a very fair manner by the Award of Merit Task Group.

There being no further comments or questions forthcoming from Members, it was

RESOLVED that

- (1) the proposed awardees, as listed in Appendix A be approved;
- (2) the arrangements for presentations to be made by the Mayor to awardees at the meeting of Full Council on Wednesday, 26 April 2017, at the Banqueting Suite, Melton Market be noted.

G72. **URGENT BUSINESS**

There was no urgent business

The meeting which commenced at 6:30 p.m., closed at 8:08 p.m.

Chairman

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By virtue of paragraph(s) 1, 2, 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Advice on Members' Interests

COUNCIL MEETINGS - COMMITTEE MINUTES : DECLARATION OF INTERESTS

Interests need not be declared at Full Council in relation to Committee Minutes which do not become the subject of debate at Full Council (i.e. Minutes referred to solely on a page by page basis when working through the Minutes of each Committee.)

An interest must be declared at Full Council as soon as it becomes apparent that a relevant Committee Minute is to be debated – this applies even if an interest has been declared at Committee and is recorded in the Minutes of that Committee.

PERSONAL AND NON-PECUNIARY INTERESTS

If the issue being discussed affects you, your family or a close associate more than other people in the area, you have a personal and non-pecuniary interest. You also have a personal interest if the issue relates to an interest you must register under paragraph 9 of the Members' Code of Conduct.

You must state that you have a personal and non-pecuniary interest and the nature of your interest. You may stay, take part and vote in the meeting.

PERSONAL AND PECUNIARY INTERESTS

If a member of the public, who knows all the relevant facts, would view your personal interest in the issue being discussed to be so great that it is likely to prejudice your judgement of the public interest and it affects your or the other person or bodies' financial position or relates to any approval, consent, licence, permission or registration then **you must state that you have a pecuniary interest, the nature of the interest and you must leave the room***. You must not seek improperly to influence a decision on that matter unless you have previously obtained a dispensation from the Authority's Governance Committee.

DISCLOSABLE PECUNIARY INTERESTS AND OTHER INTERESTS

If you are present at any meeting of the Council and you have a disclosable pecuniary interest in any matter to be considered or being considered at the meeting, if the interest is not already registered, you must disclose the interest to the meeting. You must not participate in the discussion or the vote and you must leave the room.

You may not attend a meeting or stay in the room as either an Observer Councillor or *Ward Councillor or as a member of the public if you have a pecuniary or disclosable pecuniary interest*.

BIAS

If you have been involved in an issue in such a manner or to such an extent that the public are likely to perceive you to be biased in your judgement of the public interest (bias) then you should not take part in the decision-making process; you should leave the room. **You should state that your position in this matter prohibits you from taking part.** You may request permission of the Chair to address the meeting prior to leaving the room. The Chair will need to assess whether you have a useful contribution to make or whether complying with this request would prejudice the proceedings. A personal, pecuniary or disclosable pecuniary interest will take precedence over bias.

In each case above, you should make your declaration at the beginning of the meeting or as soon as you are aware of the issue being discussed.*

*There are some exceptions – please refer to paragraphs 13(2) and 13(3) of the Code of Conduct

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Agenda Item 5

GOVERNANCE COMMITTEE

6 JUNE 2017

UPDATE ON DECISIONS

Item No.	Agenda Item or Minute Number	Decision	Governance Date Originates	Lead Officer	Update
1.	G54 : LEICESTER CITY COUNCIL FRAUD PARTNERSHIP	(3) there be a report back to this Committee on progress six months after implementation.	010216	HR	Most LAs have signed the information sharing contracts. Confirmation received that there is capacity within DCLG funded investigators to undertake some reactive referrals in addition to the data matching route. LCC are happy to consider requests for additional fraud investigation. The City Fraud Manager attended a training session on the 15 th March and we successfully uploaded Council Tax, NNDR & Housing data. Recent feedback has shown some area for further investigation, which is being led by the City. We continue to send data over periodically. Will request end of 2016/17 update from City.

Key to Officers

MT	Management Team	ARo	Head of Communications
LA	Chief Executive	HR	Head of Communities & Neighbourhoods
KA	Strategic Director (KA)	JW	Head of Regulatory Services
CM	Strategic Director (CM)	VW	Solicitor to the Council
DG	Head of Central Services	MO	Monitoring Officer

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CAPITAL PROJECT GOVERNANCE MONITORING TEMPLATE

<u>CAPITAL PROJECT</u>	<u>DATE OF LAST REPORT</u>	<u>PROJECT MEETING DECISIONS (MAIN ISSUES)</u>	<u>STAGE REACHED CONTRACT/ PROCUREMENT PROCEDURES</u>	<u>RISK LOG SETUP</u>	<u>PRINCIPAL/AGENTS APPOINTED</u>	<u>DELIVERY STAGE REACHED</u>	<u>CLOSURE DOCUMENTATION COMPLETION</u>
<u>PUBLIC CONVENIENCES</u>	CSA -22 June 2016 Mandate approved CSA- 24 th January 2017 –Business Case approved 21 st June 2017- Budget & staff issues to be presented	Committee have agreed to 2 semi automatic toilets, unstaffed , one at Wilton Road and one at St Marys Way. Park Lane and Wilton Road toilets will be sold on the open market. Operational issues have been approved and the project team are seeking a cleaning company. Staff implications need to be	Welland Procurment have been consulted on procedures and methodology of procurement. This covers procurement for building contractors and also procurement of cleaners. MBC staff consultation is underway and closing date is 7 th June 2017, plan to commence construction in August 2017.	Risk Log was set up at project commencement and reviewed through project duration. Last review was at project team meeting on 10 th May 2017 when project plan and risks were reviewed	Appointed Gleeds through ESPO, also invited quotes from other consultants	Planning application for toilets submitted on 8 th May 2017. Procurement process has commenced and prices are expected in on 7 th June 2017 in time to report to members on 21 st June 2016.	N/A

		approved by Members.					
<u>GRANBY HOUSE</u>	CSA- 16 Nov 2016. Regeneration project as part of the approved HAMP. Tender came in within budget and monthly project updates monitor progress.	Main issue continues around safe and quality works while enabling tenants to remain in their homes. Main issue is around lift. Current lift will require upgrade to deliver while minimising disturbance to some tenants who require the lift. 2 nd external lift being considered.	Project significantly advanced with major works underway. Works were procured through formal tenders with sign off from Procurement Unit.	Risk log in place that is reviewed monthly through meetings.	Appointed Gleeds through ESPO,	Project has progressed well, with major works underway. Significant improvements already in place that have improved Granby House. Formal opening and event planned after final works.	N/a

<p>FEZ</p>	<p>REEA 8th Jun e 2016</p> <p>Reported outcome of consultation and final scope & detail of the LDO, and authority to take affect from 1.7.2016</p>	<p>LDO documentation produced and disseminated amongst relevant forums associated with the Council's other involvement in economic Development Activity (e.g. LEADER events, Business festival etc).</p>	<p>LDO complete but wider promotion and dissemination required.</p> <p>LDO has monitoring requirements over the longer term (3 years)</p> <p>Continued requirement to make regular reports to DEFRA (final report now due)</p>	<p>Risk log established that is reviewed quarterly as part of reporting to Programme Board and DEFRA</p>	<p>Project Manager employed directly by MBC as part of DEFRA grant award from July 2015 – May 2017</p>	<p>Complete but wider/ongoing dissemination and promotion required.</p>	<p>N/A</p>
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GOVERNANCE COMMITTEE

6th JUNE 2017

REPORT OF HEAD OF INTERNAL AUDIT

INTERNAL AUDIT ANNUAL REPORT 2016/17

1.0 PURPOSE OF REPORT

- 1.1 The Public Sector Internal Audit Standards (the Standards) require the Head of Internal Audit to provide an annual Internal Audit report and opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment) that can be used by the organisation to inform its Annual Governance Statement. This report provides a copy of the Annual Report which contains the annual opinion and the basis for this, for the Committee's attention.

2.0 RECOMMENDATIONS

- 2.1 **That Members receive and note the Internal Audit Annual Report and Assurance Opinion for 2016/17.**

3.0 INTERNAL AUDIT OPINION 2016/17

- 3.1 Based upon the work undertaken by Internal Audit during 2016/17, the Head of Internal Audit's overall opinion on the Council's control environment is that Sufficient Assurance can be given that there is generally a sound system of internal control, designed to meet the organisation's objectives and that controls are generally operating effectively in practice. However, no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

- 3.2 Appendix A to this report provides a copy of the Annual Report which includes the detailed Head of Internal Audit opinion on the Council's control framework for 2016/17 and the basis for this opinion.

4.0 INTERNAL AUDIT PERFORMANCE

- 4.1 The report includes details of the delivery of the Internal Audit Plan for 2016/17 and achievement of the service's performance indicators. The team has delivered 100% of the agreed assignments from the Internal Audit Plan for the year and performed well against performance indicators.

- 4.2 Included within the report is an assessment of the Internal Audit service against the Public Sector Internal Audit Standards which was completed in April 2017. This concludes that the Internal Audit service operates in general conformance with the Standards.

5.0 POLICY AND CORPORATE IMPLICATIONS

- 5.1 The annual Internal Audit report should provide the Committee with independent assurance over the quality of the Council's internal control framework.

6.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

- 6.1 There are no financial or other resource implications arising directly from this report.

7.0 LEGAL IMPLICATIONS/POWERS

- 7.1 There are no legal implications arising directly from this report

8.0 **COMMUNITY SAFETY**

8.1 There are no community safety implications arising directly from this report.

9.0 **EQUALITIES**

9.1 There are no equalities implications arising directly from this report.

10.0 **RISKS**

10.1 The annual Internal Audit report forms part of the evidence that supports the Council's Annual Governance Statement and provides assurance over the adequacy and effectiveness of the Council's internal controls to manage the key risks and inform risk management arrangements.

11.0 **CLIMATE CHANGE**

11.1 There are no climate change implications arising directly from this report.

12.0 **CONSULTATION**

12.1 N/A

13.0 **WARDS AFFECTED**

13.1 All wards are indirectly affected by the report.

Contact Officer Rachel Ashley-Caunt
Date: 19th May 2017

Appendices : A – Internal Audit Annual Report 2016/17

Background Papers: N/A

Reference : N/A



**MELTON BOROUGH COUNCIL
INTERNAL AUDIT ANNUAL REPORT
2016/17**



Head of Internal Audit: Rachel Ashley-Caunt

1. Background

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

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

2. Head of Internal Audit Opinion 2016/17

2.1 This report provides a summary of the work carried out by the Internal Audit service during 2016/17 and the results of these assignments. Based upon the work undertaken by Internal Audit during the year, the Head of Internal Audit's overall opinion on Melton Borough Council's system of internal control is that:

It is my opinion that **Sufficient Assurance** can be given over the adequacy and effectiveness of the Council's control environment operating for 2016/17. This control environment comprises of the system of internal control, governance arrangements and risk management. The level of assurance remains at a consistent level from 2015/16.

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

Of the internal audit assignments delivered during 2016/17, one has resulted in an opinion of less than Sufficient Assurance. Additional consultancy work commissioned during 2016/17 also highlighted areas of control weakness and non-compliance in relation to the management of recent capital projects and award of contracts. A number of recommendations have been made and promptly implemented to strengthen the control environment in these areas.

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

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

2.2 The basis for this opinion is derived from an assessment of the range of individual opinions arising from assignments from the risk-based Internal Audit plan that have been undertaken throughout the year, as summarised in Table 1 and further detailed in Table 3. An overview of all Internal Audit assignments and the basis for the resulting opinions is provided in Appendix 1.

2.3 This assessment has taken account of the relative materiality of these areas and management’s progress in respect of addressing any control weaknesses. The implementation of audit recommendations during the year has been strong, with 85% of actions from 2016/17 reports which were due for implementation being completed during the year, as summarised in Table 4. Thereby, providing assurance that areas of weakness in the control environment have been suitably addressed.

A summary of Audit Opinions is shown in Table 1:

Table 1 – Summary of Audit Opinions 2016/17:

Area	Substantial	Sufficient	Limited	No
Financial Systems	2	1	-	-
Governance & Counter Fraud	1	-	1	0
Service Delivery Risks & Best Value	-	8	-	0
Total	3	9	1	0
Summary	23%	69%	8%	0%
with 2015/16 Comparison	(18%)	(46%)	(36%)	(0%)

3. Review of Audit Coverage

Audit Opinion on Individual Audits

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

Table 2 – Assurance Categories:

Level of Assurance	Definition
Substantial	There is a robust framework of controls making it likely that service objectives will be delivered. Controls are applied continuously and consistently with only infrequent minor lapses.

Level of Assurance	Definition
Sufficient	The control framework includes key controls that promote the delivery of service objectives. Controls are applied but there are lapses and/or inconsistencies.
Limited	There is a risk that objectives will not be achieved due to the absence of key internal controls. There have been significant and extensive breakdowns in the application of key controls.
No	There is an absence of basic controls resulting in inability to deliver service objectives. The fundamental controls are not being operated or complied with.

3.2 Audit reports issued in 2016/17, other than those relating to consultancy support, resulted in the provision of one of these audit opinions. All individual reports represented in this Annual Report are final reports and, as such, the findings have been agreed with management, together with the accompanying action plans. The only exception relates to the Contract Procedure Rule Compliance audit, for which the final draft report is currently with management to agree the action plan.

Summary of Audit Work

3.3 Table 3 details the assurance levels resulting from all audits undertaken in 2016/17 and the date of the Committee meeting at which a summary of the report was presented.

Table 3 – Summary of Audit Opinions 2016/17:

Audit Area	Audit Opinion	Committee Date
Financial		
Key Financial System Controls	Sufficient	April 2017
Fixed Assets	Substantial	June 2017
Treasury Management	Substantial	February 2017
Governance & Counter Fraud		
Counter Fraud and Ethical Governance	Substantial	November 2016
Contract Procedure Rule Compliance*	Limited	June 2017

Audit Area	Audit Opinion	Committee Date
Service Delivery		
Fees and Charges	Sufficient	June 2016
Staff Development and Training Effectiveness	Sufficient	February 2017
Post Handling Arrangements	Sufficient	September 2016
Disclosure and Barring Service	Sufficient	April 2017
Grounds and Environmental Assets Maintenance	Sufficient	February 2017
CCTV	Sufficient	June 2016
S106 Agreements	Sufficient	March 2017
Housing Options/ Homelessness Strategy	Sufficient	November 2016

*final draft report with management for agreement of action plan.

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

Implementation of Internal Audit Recommendations

- 3.5 Internal Audit follow up on progress made against all recommendations arising from completed assignments to ensure that they have been fully and promptly implemented. Internal Audit trace follow up action and attend the Council's Management Team meeting on a quarterly basis to provide updates on implementation. The Head of Internal Audit provides a summary at each Governance Committee on the progress made and actions outstanding. Details of the implementation rate for audit recommendations made during 2016/17 are provided in Table 4.

Table 4 - Implementation of Audit Recommendations 2016/17:

	Category 'High' recommendations	Category 'Medium' recommendations	Category 'Low' recommendations	Total
Agreed and Implemented	11	29	7	47 (53%)
Agreed and not yet due for implementation	7	15	11	33 (38%)
Agreed and due within last 3 months, but not implemented	1	2	3	6 (7%)
Agreed and due over 3 months ago, but not implemented	0	1	1	2 (2%)
TOTAL	19	47	18	88 (100%)

3.6 There are no further actions overdue from previous years' reports. A summary of all overdue recommendations is provided in Table 5:

Table 5 - Summary of Overdue Recommendations as at 31st March 2017

Audit Title	Year reported	High		Medium		Low	
		Over 3 months	Under 3 months	Over 3 months	Under 3 months	Over 3 months	Under 3 months
Housing Options and Homelessness	2016/17		1				
Grounds & Environmental Asset Maintenance	2016/17				1		
Staff Training & Development	2016/17				1		
Counter Fraud and Ethical Governance Arrangements	2016/17					1	3
Managing Capital Contracts – Leisure Vision	2016/17			1			
Totals		0	1	1	2	1	3

3.7 The level of implementation is reported to the Governance Committee throughout the year.

Internal Audit Contribution

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

3.9 Delivery of 2016/17 Audit Plan

3.9.1 The Internal Audit team have delivered **100%** of the agreed assignments within the 2016/17 Audit Plan.

3.10 Internal Audit Contribution in Wider Areas

3.10.1 During 2016/17, the Council has actively engaged with Internal Audit to deliver wider benefits and add further value, beyond the assignments commissioned within the

Audit Plan. Key examples of areas where Internal Audit has been able to add further value to the organisation during the financial year are set out within Table 7.

Table 7 – Internal Audit Contribution

Area of Activity	Benefit to the Council
Cyber-crime session held with Senior Management Team, organised by Internal Audit. Local cyber-crime lead from Leicestershire Police attended to alert management to the risks and actions they can take.	Awareness of significant, emerging risk areas. Internal Audit are now working with the Council to develop an action plan and strengthen controls in this area. Also, provides access to good working relationships built between Internal Audit and the local economic crime unit.
Delivering testing on key controls in consultation with External Audit to assist them in forming their opinion on the Annual Accounts and maintaining good working relationships with the external auditors.	Reduce audit burden, saving costs.
Delivery of full fact finding investigation into whistleblowing referral. Based on findings, joint working with police contacts to instigate and progress criminal investigation into alleged fraud. Action taken to seek recovery of monies and recommendations made to strengthen control framework.	Benefit from access to experienced fraud investigator and relationships established with Leicestershire Police Economic Crime Unit. This has enabled an efficient, thorough investigation and ensures that the Council demonstrates a zero tolerance to fraud. Recovery of monies sought.
Lead on re-drafting of Counter Fraud Strategy and Fraud Response Plan based on areas identified in Counter Fraud and Ethical Governance audit.	Sharing of best practice to ensure strategy and procedures are robust and support a strong counter fraud control framework.
Production of an Anti-Money Laundering Policy and Staff Guidance which were adopted by the Council and the subsequent delivery of targeted training to a number of customer facing and finance staff.	Sharing of best practice policies adopted across LGSS sites and raising awareness of staff to be alert to the risk of monies being laundered through the organisation and actions to be taken.
Support on investigation into money laundering referrals and submission to the National Crime Agency to obtain consent to proceed with transactions to resolve incidents.	Demonstrating effectiveness of awareness sessions, above, assisting the Council in dealing with referral made by staff under the new policy and ensuring referrals made to the National Crime Agency as required, to cover the Council from any allegations of involvement in money

Area of Activity	Benefit to the Council
	laundering.
Provision of training to members of the Governance Committee.	The Governance Committee is more effective in its role as an assurance provider.
Delivering staff briefing session on ethical governance and counter fraud policies.	Provide all staff with an understanding of the ethical policies and how declarations should be made. Thereby, embedding a zero tolerance culture to fraud and corruption.
Delivering of additional consultancy work on the Leisure Vision Phase 1 project and subsequent further review on wider capital project management controls.	<p>Independent review of project management arrangements and identification of weaknesses which resulted in the overspend against the project budgets. Reports to Governance Committee and Policy and Finance Committee on the financial impacts, weaknesses in controls and recommendations for improvement.</p> <p>Working with management, this has resulted in a number of actions taken to ensure future projects are suitably managed and controlled and further transparency over progress and risk management.</p>
Ad hoc advice on financial system controls.	To assist in identifying and highlighting potential risks and control weaknesses and strengthen internal controls.
Responding to whistleblowing disclosures, as a key point of contact for whistleblowers.	Providing staff and stakeholders with an independent point of contact to raise any concerns in confidence and ensure these are handled in line with the Council's policy.
Consultancy support on Transformation Programme for Revenues and Benefits.	Independent review and challenge on the delivery of the programme and sharing of good practice and areas for development.

4. Performance Indicators

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

Table 8 – Internal Audit KPIs 2016/17

Indicator description	Target	Actual
Delivery of the agreed annual Internal Audit Plan, to at least draft report stage, by 31 st March 2017	90%	87% Note: Due to delays in officers providing procurement audit evidence
Days spent on delivery of Audit Plan 2016/17	235	221
Customer Feedback – rating on a scale of 1 to 4 (average) Where: 1 = Poor, 2 = Satisfactory, 3 = Good and 4 = Outstanding	3.6	3.32

5. Professional Standards

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

5.2 The objectives of the PSIAS are to:

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

5.3 A detailed self-assessment against the PSIAS has been completed by the Head of Internal Audit, a copy of which is provided in Appendix 2. The outcome of the assessment was that the activities of the Internal Audit service are in general conformance with the Standards.

Appendix 1: Summary of Internal Audit Work Undertaken for 2016/17

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Financial Systems			
Financial Systems key controls	Sufficient	<p>A review of Melton Borough Council's financial systems was undertaken to provide assurance that sufficiently robust controls are in place, and operating consistently. The audit focussed on payroll processes, housing benefit claims and changes and council tax and national non-domestic rates (NNDR) income collection and recovery.</p>	<p>Payroll processes and controls are designed well and operating effectively, with only minor immaterial errors identified by Internal Audit. Starters and leavers are processed accurately and timely and controls over the review and submission of BACS payments are in operation and appropriate review of exception report are carried out to identify any anomalies, errors or possible instances of fraud. Sample testing of employee master data amendments did, however, identify that two employees had been marginally underpaid. The errors have now been corrected and back pay has been paid to the employees involved (less than £150 in total).</p> <p>There is a defined structure for the Benefits Service that provides for effective, consistent and reliable segregation of duties between key elements of the benefits process. Testing provided assurance that new claims and changes were complete, supported by evidence and accurately input onto the benefits system, with only minor immaterial exceptions. However guidance for staff on how to assess new claims could be strengthened to improve to consistency of evidence accepted. The 2016/17 parameter upload for the housing benefit system (Northgate) was conducted in a timely manner however the arrangements could be strengthened further by evidencing an independent review and producing documented system notes to support the process.</p> <p>The Council has a well-defined process for the recovery of council tax and NNDR debt. Testing confirmed that appropriate action was taken where required and the recovery of debt is monitored monthly by management.</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
			<p>Income is collected and allocated to accounts in a timely manner and unallocated payments are reviewed daily. The Council's Corporate Debt and Income Maximisation Policy was last reviewed in 2013/14 and it is advised to review the document to ensure it remains up to date.</p>
Fixed Assets	Substantial	<p>To provide assurance over the completeness of the Council's fixed asset records and the verification of these assets.</p>	<p>It is important for the Council to track fixed assets for the purposes of financial accounting, preventative maintenance, and theft deterrence. Accuracy and completeness of the financial information used in the Council's Statement of Accounts relies on the accuracy and timely update of fixed asset records. Internal Audit sought to provide assurance over the completeness of the Council's fixed asset records and the verification of these assets.</p> <p>The Council's fixed asset register is verified and updated on an annual basis to ensure that assets are accurately reflected in the Statement of Accounts. Various policies are in place to govern the management of fixed assets but they do not provide standard protocols for the acquisition, disposals and transfers of assets that are not defined as land and buildings, such as equipment and vehicles. In addition, testing confirmed that clear delegation of authority and a full audit trail for the disposal of these types of assets was not available.</p> <p>Appropriate procedures are in place to approve capital expenditure and identify and record asset additions. Procedures surrounding the valuation of assets were also confirmed to be sound. Testing confirmed that the Fixed Asset Register had been updated based upon the figures received for the 2015/16 valuations and work is already underway to ensure the 2016/17 valuation takes place in a timely manner. Reconciliations between the Fixed Asset Register and the General Ledger take place annually and the 2015/16 reconciliation had been completed fully and accurately.</p> <p>Asset custodians physically verify their assets on an annual basis and for</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
			<p>2016/17 a signed declaration has been introduced, whereby custodians must sign to confirm that their assets exist and are accurately recorded on the Fixed Asset Register. All assets within the audit sample were physically verified by Internal Audit and had been accurately recorded on the Fixed Asset Register.</p>
Treasury Management	Substantial	<p>To provide assurance that the Treasury Management function is conducted in line with statutory and regulatory requirements and best practice guidance so that investments are appropriately safeguarded and transactions and records are complete, accurate and timely.</p>	<p>The Council has a professionally qualified and experienced officer operating its daily Treasury Management responsibilities with all proposals subject to appropriate review and approval by senior officers. Responsible officers keep up to date with statutory requirements and best practice through review of professional websites, available training sessions and guidance from the Council's Treasury Management Advisors.</p> <p>The Council has an approved Treasury Management Strategy in place, along with Treasury Management Practices and Procedures which are kept up to date in line with any changes to the strategy. The Treasury Management Strategy is approved each year by Full Council, following scrutiny from the Budget and Strategic Planning Working Group and if required approval is also sought at mid-year reviews for any updates. Members are also kept up to date on the Council's Treasury Management position via quarterly Member bulletins.</p> <p>The approved Strategy outlines the criteria that proposed transactions must meet including time limits and maximum values. Credit rating lists are used to ensure appropriate selection of counterparties for fixed term investments and credit ratings are checked using an online tool for liquid money market fund investments.</p> <p>The Council's bank balance is checked on daily basis to ensure accuracy of cash flow predictions and identify opportunities for investment proposals. Any proposals are subject to an appropriate review and approval and an adequate audit trail is maintained to evidence the transaction details and authorisation.</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
			Sample testing confirmed procedures were operating as described.
Governance & Counter Fraud			
Counter Fraud & Ethics Arrangements	Substantial	Review of the Council's counter fraud arrangements and compliance with best practice in relation to fraud prevention and detection. To review whistleblowing procedures and effectiveness of the whistleblowing policy.	<p>Melton Borough Council has acknowledged the risk of fraud and corruption and has clearly stated its zero tolerance approach. A suite of counter fraud and corruption policies has been adopted and made available to staff, alongside a comprehensive Fraud Strategy and Response Plan which cover many key areas recommended as best practice. Feedback from staff highlighted potential scope to provide a clear, consistent platform for accessing these various key counter fraud and ethical policies. It was also recommended that requirements for disclosing gifts and hospitality and private interests be further clarified and added to the staff induction process.</p> <p>Regular staff briefings are delivered to pro-actively raise awareness and embed the Council's ethical governance and fraud policies. Staff feedback received during the audit demonstrated that these have proven to be very effective. In relation to whistleblowing arrangements, staff feedback was largely positive, demonstrating strong awareness of the policy. It was also highlighted that 75% of respondents said they felt 'confident' in using the policy to report suspected fraud or corruption. Procedures are operating effectively to ensure that whistleblowing disclosures are logged and monitored.</p> <p>In accordance with good practice, fraud risk assessments have been conducted by the Council's senior management team in recent years. The management team promptly respond to alerts and trends and are actively engaging in opportunities to assess emerging and growing fraud risks such as cyber crime. A review of the fraud policies highlighted some opportunities to add further detail to the Fraud Response Plan to ensure full compliance with good investigative practice and to consider whether all actions originally set in the Strategy continue to focus on key risks.</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Contract Procedure Rules Compliance	Limited	To review the design of the Council's Contract Procedure Rules and provide assurance over compliance with these rules. To review a sample of procurements for evidence.	<p>The Council's contract procedure rules are primarily 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. There had been recent examples where aspects of the rules and guidance had not been complied with in practice. Assurance was, therefore, sought that the current rules and guidance are fit for purpose and that the recent cases on non-compliance were isolated cases rather than indicative of wider weaknesses in the governance and control framework.</p> <p>Based on Internal Audit review, the Council's contract procedure rules are consistent with regulatory requirements and contain all expected key controls to mitigate the risk of fraud and poor value for money. The rules are supplemented by a procurement toolkit that provides additional support, guidance and templates to assist staff involved in the procurement process. However, there is scope to improve staff awareness and understanding of the procedures through regular training and awareness campaigns.</p> <p>Detailed testing of a sample of contracts confirmed that the correct procurement route had been followed in each case, although it was identified that advice had not been consistently sought for higher value contracts which could increase the risk of non-compliance with EU procedures. Sample testing identified weaknesses in the recording and evidencing of compliance with several aspects of the Council's approved procedures. Failure to clearly document compliance means there is an increased exposure to the risks and challenge of fraud, corruption and poor value for money. In one case, there were inconsistencies in the way that tenders were evaluated and a lack of evidence to demonstrate that this matched the pre-determined criteria. Consequently, it is not possible to conclude that there have been no irregularities in the award of all contracts in the sample. Action is required to</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
			strengthen existing arrangements for recording procurement processes and development of more proactive monitoring of compliance by senior managers.
Service Delivery & Best Value			
Fees & Charges	Sufficient	<p>To provide assurance that fees and charges made by the Council are appropriate and subject to regular review.</p> <p>To review whether statutory fees are in accordance with specified values and whether discretionary fees are set on a fair, transparent basis which ensures cost recovery.</p> <p>To specifically include Taxi Licencing fees.</p>	<p>Fees and charges are a significant source of income for the Council and are becoming increasingly important as central government funding diminishes and the need for self-sufficiency increases. Based on 2014/15 figures, income of approximately £1.9 million is generated from General Fund charges and £0.6 million from charges in the Housing Revenue Account. The Council has over 350 individual charges ranging from 30p for access to public conveniences to £64,000 for licensing of large scale public events. As well as generating significant income, effective charging policies can also support broader policy objectives such as targeting of subsidies and managing demand for services.</p> <p>The Council's overall governance arrangements for managing fees and charges were assessed as sound. There is a clear and comprehensive corporate charging policy and effective arrangements in place to ensure all charges are reviewed and approved annually. However, application of the policy at service level was not always clearly evidenced or fully documented. In particular, some fees set on a cost recovery basis were established several years ago and increased by inflation in subsequent years. Consequently, it was not always possible to clearly demonstrate whether costs continue to be fully and suitably recovered. In addition, whilst most budget holders interviewed by Internal Audit stated that market intelligence was used to inform pricing decisions, this process was largely informal.</p> <p>Testing of statutory charges confirmed that all had been established in accordance with the relevant statutory or regulatory requirements.</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Staff Development & Training effectiveness	Sufficient	To provide assurance over the effective use of training budgets for staff and how these support the Council's performance development appraisal process.	<p>In July 2016 the Council created a training and development plan to develop the capacity, capability and innovation of staff as part of Melton's Extending to Excellence programme (ME2E). This is being rolled out across the Council during 2016/17 and 2017/18. Internal Audit sought assurance that the Council has controls in place to identify the training and development needs of staff and is also achieving value for money when procuring from training providers. Internal Audit has also provided consultancy support on the effectiveness of the Council's training plan.</p> <p>The Council has established a well-designed employee appraisal process that ensures employees review their performance against the Council's priorities and values as well as identifying individual training and development needs through the production of a Personal Development Plan (PDP). Compliance with this process, however, required improvement. Evidence showed that for some staff appraisals were not carried out regularly, and in some cases not at all, and a significant proportion of employees had not completed mandatory training courses.</p> <p>Efficiencies could also be made by setting an agreed time period for conducting appraisals so that training and development needs can be identified, prioritised and used to inform a corporate training plan or catalogue. This could include ME2E development opportunities as well as both mandatory and discretionary training.</p> <p>Due to the absence of a dedicated learning and development post within the Council, responsibility for training and development falls to line managers. The introduction of a Training and Development Policy would formalise line manager responsibilities and ensure that performance can be measured.</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
			<p>The training budget for 2016/17 was set as £75,060. At the time of the audit, practice required training opportunities to be reviewed and approved by the HR and Communications Manager to ensure value for money was being achieved. This process, however, had not been formalised and audit testing highlighted instances of non-compliance.</p>
Post Handling Arrangements	Sufficient	To provide assurance over security arrangements and audit trails for post receipting and collection.	<p>Internal Audit reviewed the security arrangements and audit trails for the receipting, sorting and collection of incoming post (packages, parcels, and mail) at the Melton Borough Council's Parkside offices to ensure that post is handled in a secure and sensitive manner within a protected and controlled environment.</p> <p>Two visits to the post room were conducted by Internal Audit (one unannounced and one planned) and testing highlighted some processes and controls which could be strengthened further in relation to access to the post room and audit trails for the handling of large items, such as parcels and packages.</p> <p>The Council was potentially at risk of unauthorised access to the post room because it was not restricted whilst the post was being opened and sorted and any person with a Parkside swipe card had the ability to enter the post room.</p> <p>Procedures for handling parcels and packages had not been formally agreed and documented and records to confirm details of all parcel/package deliveries were not maintained which could lead to difficulties in tracing and locating items should a dispute occur.</p> <p>Internal Audit observed the opening and sorting of post being carried out in accordance with Council procedures and unidentified recipients were dealt with in an appropriate and consistent manner.</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
Disclosure & Barring Service	Sufficient	To provide assurance that appropriate use is being made of the disclosure and Barring service for relevant posts and the issuing of Taxi/Private hire licences.	<p>In order to safeguard vulnerable service users, the Council has a duty to exercise appropriate checks over the suitability of those working on the Council's behalf. As the authority granting licences for taxis and private hire vehicles, the Council is also responsible for conducting suitable checks over these applicants.</p> <p>In August 2016, the Council's list of 'DBS required' posts was updated in light of the revised legislation on regulated roles. It was highlighted during audit testing, however, that this list was incomplete as other new starters since August 2016 had been subject to DBS checks, and their job role would appear to satisfy the requirements of a regulated post, but they were not on the central list. Furthermore, two recent new starters in roles included on the DBS list had not been subject to a DBS check (it should be noted that comparable roles at other authorities are not subject to a DBS check and Internal Audit do not consider these roles to meet the requirements to justify a DBS check). As such, it would appear that the central list is not being consistently applied and rather that posts continue to be considered individually at each recruitment exercise. It was also noted that the central list had not been subject to formal senior management approval.</p> <p>In sample testing, all taxi and private hire licence holders reviewed had been subject to a DBS check in the last three years. The Council's Taxi Licensing Policy currently lacks detail, however, on the implications of convictions identified. It was also highlighted during sample testing that 47% of the licence renewals reviewed from the last 12 months had been granted based on DBS certificates which were more than six months old. This was due to a change in the frequency of renewals but this is not consistent with Council policy and</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
			<p>good practice. It is noted that Council officers had been monitoring DBS dates to identify when three years had lapsed outside of the renewal cycle to ensure drivers were subject to checks on a three yearly basis. The Council is keen to improve these processes and the most effective approach would be to enforce that all taxi and private hire license holders are required to subscribe to the DBS update service. In the meantime, renewals must only be issued where a recent DBS certificate is seen, in accordance with the timescales set in the Council policy.</p> <p>In 2015, a Code of Practice for DBS registered bodies was published specifying requirements for policies, storage and handling of information and applications. Based on the testing conducted, the Council is complying with the Code of Practice. Some minor issues have been highlighted where consistent practices across the Council should be enforced but overall information is handled sensitively and officers are proficient in the DBS application process.</p>
Grounds & Environmental Asset Maintenance	Sufficient	To provide assurance over the maintenance/ renewal programme for environmental assets.	<p>Effective maintenance of grounds and environmental assets links directly to the Council's corporate priority to deliver well respected, value for money customer focused services. The service is delivered by an in-house team of staff operating from the Snow Hill depot. Some specialist services are contracted out, but the majority of work is carried out by the Council's own workforce at an estimated gross cost of around £450k per annum. The service was last audited in 2012/13 and was given a 'marginal' assurance opinion.</p> <p>Based on interviews, current service standards were considered to be of a high quality and customer complaints were rare. However, the lack of a unified service specification and comprehensive service standards makes it difficult to demonstrate that current service levels are consistent with the Council's expectations and strike the right balance between quality and cost. It was</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
			<p>recommended that the development of a more formal service specification and associated performance monitoring arrangements would provide a more robust and evidence based framework for effective strategic management of the service.</p> <p>Management at an operational level is considered effective but relatively informal. Quality control is exercised through routine line management arrangements and informal ad-hoc inspections, but there are no service specific performance indicators. The management of operational vehicles, machinery and equipment is similarly informal and testing identified errors and omissions in the inventory.</p> <p>A history of over-spending in recent years has led to closer monitoring and management scrutiny in 2016/17 and overall spending remained within budget at the time of the audit. There is a five year capital renewals plan for all vehicles, major items of machinery and play equipment, although these need to be brought up to date and consistent with the inventory. There are clear controls to ensure that spending is not committed prior to approval of a suitable business case. Testing identified one example of non-compliance, although management were satisfied that this was an isolated case and has taken appropriate action.</p>
CCTV	Sufficient	To provide assurance over the management of the CCTV systems to ensure legal requirements, policies and standards are complied with in practice.	<p>The 'Melton Mowbray Town Centre CCTV System' has evolved from the formation of a partnership between Melton Borough Council and Leicestershire Police. It comprises of 16 cameras and body worn video (BWV) units, which were introduced in 2014 to enhance the existing static system.</p> <p>The Council's surveillance system is used to monitor and record the activities of individuals. As such, the Council is processing individuals' personal information and this activity is therefore subject to the Data Protection Act (DPA) 1998.</p>

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
			<p>Internal Audit reviewed controls over the security, access, retention and disposal of recorded material to ensure it was compliant with the DPA and found that whilst a number of controls were in place, there were some areas where these could be strengthened further. Access to the CCTV monitoring room, for example, was not fully restricted and whilst visitors to the room were required to sign in and out of a visitors' log, during fieldwork it was identified that this was not consistently completed by all individuals accessing the room. Usernames and passwords were required for accessing the surveillance systems but this control could be strengthened further by ensuring passwords are changed on a regular basis and stored more securely.</p> <p>The retention and disposal of recorded material for police evidence was sufficiently controlled and evidenced through the use of a Digital Evidence Log. Nevertheless it was highlighted that the audit trail for video still images could be developed further by documenting the retention period and destruction date.</p> <p>A comprehensive set of procedure manuals and a Code of Practice had been designed to govern and control the Council's surveillance systems. Operators are required to sign a Declaration of Compliance and weekly audit checks are performed by the CCTV Co-ordinator to ensure procedures are being followed.</p> <p>The Council has been transparent in the use of CCTV cameras by publishing their locations on the website and providing the public with details on how to view their personal information should they wish to do so.</p>
S106 Agreements	Sufficient	To provide assurance over the processes and controls in place for the management of s.106 agreements	Section 106 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. The audit reviewed two

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
		<p>including collection of income, monitoring of expenditure within timeframes and ensuring all agreements are detailed accurately and in full in a central record.</p>	<p>associated risk areas, firstly regarding the agreement of s106 obligations and secondly the monitoring of such obligations to ensure that all secured contributions are received and utilised.</p> <p>Negotiations are started as early as possible in the planning process and involve all relevant parties. Parties are able to request contributions, provided that they are justified and in line with regulations and such requests are clearly documented and presented with the planning application. Evidence was found of proposals being amended to address concerns and to include additional requests. No evidence of being required to reduce contribution requests was identified.</p> <p>Planning Officers are also responsible for logging and monitoring s106 obligations, once agreed, on a monitoring spreadsheet. The monitoring spreadsheet is designed to allow ease of monitoring of associated trigger points. Testing, however, determined scope for improvement in ensuring that all cases are added onto the monitoring record and that the monitoring spreadsheet is kept up to date with the status of agreements. It was also determined that the monitoring spreadsheet does not hold information on balances held or their associated expiry dates. Whilst this information can be obtained from Finance or additional monitoring work completed by the Head of Regulatory Services, the monitoring spreadsheet is designed to be a centralised record and should be expanded to also include this required information.</p>
Housing Options/Homelessness Strategy	Sufficient	To provide assurance that there are adequate processes and controls in place to ensure that housing and homelessness applications are treated in accordance with established local	The proper and effective operation of housing allocations and homelessness applications supports the Council's corporate priority of helping to provide homes and environments that meet local needs. To achieve this, the Council operates in partnership with other Leicestershire districts and has adopted a sub-regional Choice Based Lettings Scheme.

Audit Assignment	Assurance Rating	Area Reviewed	Basis for Assurance Opinion
		policies and national legislation.	<p>There is a clear and comprehensive lettings policy and robust procedures for processing housing applications. Staff in the Housing Options Team are highly experienced and have a good understanding of operational systems and procedures, although the small size of the team means there is limited capacity to deal with peaks in workload or periods of staff absence. As such, at the time of audit there was a significant backlog of housing applications that were overdue for review.</p> <p>Testing found that the assessment of applications and property allocation processes were operating in compliance with the approved policy but there were opportunities to improve the quality and completeness of evidence and records supporting eligibility and banding decisions.</p> <p>Homelessness costs are increasing and the Council's homelessness strategy and action plan were out-of-date. Given the rising costs and significant budget overspends reported for the service in recent years, it was recommended that this strategy be reviewed as soon as possible. Procedures for processing homelessness applications were clear and effective but again testing highlighted that the quality and completeness of supporting documentation could be improved.</p> <p>There are sound arrangements in place for applicants to appeal housing and homelessness decisions but Internal Audit testing of compliance was limited due to an inability to identify cases that have been subject to appeal.</p>

Appendix 2: Self-Assessment against the Public Sector Internal Audit Standards (PSIAS)

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
1000 – Purpose, Authority & Responsibility	1010	Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter	✓			The Internal Audit Charter reflects the mandatory nature of the relevant Standards. The revised Internal Audit Charter for 2017/18 to be presented to the Governance Committee for approval in June 2017 and to cover all definitions and requirements of the 2017 PSIAS.
1100 – Independence and Objectivity	1100	Organisational Independence	✓			Head of Internal Audit reports directly to the Audit Committee and has unfettered access to the Chief Executive, Chair of the Governance Committee and Section 151 Officer. The internal audit activity is free from interference in determining the scope of internal auditing, performing work and communicating results.
	1111	Direct Interaction with the Board	✓			Head of Internal Audit reports directly to the Governance Committee.
	1112	Chief Audit Executive Roles beyond Internal Auditing	✓			Head of Internal Audit holds no additional roles and responsibilities outside of internal auditing, such as responsibility for compliance or risk management activities.
	1120	Individual Objectivity	✓			All members of the Internal Audit team are required to complete a Declaration of Interest form at the start of the financial year and any conflicts of interest are avoided in work allocations.
	1130	Impairment to Independence or Objectivity	✓			Approval sought from Audit Committees before undertaking any significant consulting services not already included in Audit Plans or which may present any impairment of objectivity.

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
1200 – Proficiency and Professional Care	1210	Proficiency	✓			<p>Head of Internal Audit is CCAB qualified and all Audit Managers hold professional qualifications and are suitably experienced for the role. Trainees and Auditors are undertaking IIA and AAT training. Training and development plans being revised in 2017 to support continuous training and development for team.</p> <p>Action – staff training and development plans to be updated/developed under LGSS framework.</p>
	1220	Due Professional Care	✓			Experienced Audit staff exercise due professional care when planning and undertaking assignments. Scope of assignment is clarified within detailed audit planning record and the limitations to the scope and assurance provided are documented within audit planning records, audit reports and progress reports. All audit planning records are approved by the Head of Internal Audit before work commences.
	1230	Continuing Professional Development	✓			Staff attendance at training and development opportunities. All Audit Managers must satisfy professional body CPD requirements.
1300 – Quality Assurance & Improvement Programme	1310	Requirements of the Quality Assurance and Improvement Programme	✓			Annual internal self-assessment conducted by Head of Internal Audit, which is included in the Annual Report. External assessment in 2013 resulted in action plan which has been delivered. LGSS subject to external assessment in 2017.
	1311	Internal Assessments	✓			Ongoing monitoring of performance at monthly individual supervision meetings, team meetings and post audit completion discussions. Customer Satisfaction Questionnaires (CSQs) requested from clients for each assignment and responses summarised for Audit Committees. Head of Internal Audit meets with senior

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						management on regular basis and seeks feedback on value of the Internal Audit service and areas for development.
	1312	External Assessments	✓			External assessment conducted in 2013 by independent, professional company to assess against compliance with PSIAS. LGSS subject to external assessment in 2017.
	1320	Reporting on Quality Assurance and Improvement Programme	✓			The outcome of the external assessment and progress against the resulting improvement plan were reported to the Audit Committee. All actions from the improvement plan were signed off by the Welland Board. Annual self-assessment against PSIAS included within Head of Internal Audit's Annual Report.
	1321	Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'	✓			Based upon completion of improvement plan and ongoing assessment and quality assurance processes, results support compliance with Standards and Code of Ethics.
	1322	Disclosure of Non-conformance	✓			Instances of non-conformance identified in 2013 were reported to the Board and Committees following the external assessment. Progress against the improvement plan to address all areas of non-conformance was reported to Committees and management until all actions were signed off.
2000 – Managing the Internal Audit Activity	2010	Planning	✓			Process for development of risk based audit plans was presented to each Audit Committee for approval. Plans were developed with input from senior management and Committee members. Audit

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						planning process is documented in Internal Audit Charter.
	2020	Communication and Approval	✓			Any changes to the approved Audit Plans during the financial year are communicated to the Audit Committee and subject to agreed approval mechanisms in accordance with the delegated decision making arrangements.
	2030	Resource Management	✓			Resources reviewed on an ongoing basis to ensure these are appropriate, sufficient and effectively deployed and now benefits from being part of larger LGSS service. Team includes professionally qualified, experienced Audit Mangers. Any concerns on adverse impact on provision of the audit opinion would be raised by the Head of Internal Audit in Annual Report.
	2040	Policies and Procedures	✓			Audit manual, charter and practice notes revised as part of improvement plan to ensure compliance with Standards.
	2050	Coordination	✓			Other sources of assurance are considered and reviewed as part of the Audit Planning process to avoid any duplication with other assurance providers.
	2060	Reporting to Senior Management and the Board	✓			The Head of Internal Audit attends meetings with senior management and Audit Committees on a regular basis. Progress reports are presented at every Audit Committee meeting and details of assurance levels are provided with focus upon those of Limited Assurance opinions. The content of the progress reports was reviewed during 2015 and

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						the Governance Committee now receives a detailed breakdown of the implementation of audit actions and full details of all actions which have been overdue for more than three months and classed as 'high' or 'medium' priority. The Committee also now receives the Executive Summary of all finalised audit reports and has access to all audit reports for any Limited Assurance opinions given, which are provided as hard copies in the Members' room.
	2070	External Service Provider and Organisational Responsibility for Internal Auditing	✓			The Council's Constitution clearly acknowledges the Council's responsibility for maintaining effective internal audit activity.
2100 – Nature of Work	2110	Governance	✓			<p>Audit team provides independent advice on drafting of governance related policies and attends governance groups, where applicable. Audit findings on risks and controls are presented to the Audit Committee and senior management with recommendations on areas for improvement.</p> <p>As appropriate, the Internal Audit team contributes to the development of the Annual Governance Statement.</p> <p>IT Governance reviews included in rolling IT Audit plan.</p>
	2120	Risk Management	✓			<p>Internal Audit refer to the organisation's risk registers during Annual Planning exercises and provide training to committee members on risk management and the 'three lines of defence' to support effective review.</p> <p>Risks relating to the organisation's governance, operations and</p>

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						<p>information systems, as well as fraud risks, form part of individual audit assignments, as stated in the audit planning records and audit reports.</p> <p>The Internal Audit planning process for 2017/18 included review of risk management systems and procedures and as stated in the PSIAS 'Internal Audit gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness'. As such, the outcome of the various risk based assignments within the Audit Plans provide an understanding of the effectiveness of the Council's risk management procedures which can be raised with senior management and the Committee.</p> <p>Auditors are alert to other significant risks when undertaking any consulting engagements and give advice and make recommendations but it is the responsibility of management to implement these actions.</p>
	2130	Control	✓			In accordance with the risk based approach to Internal Audit assignments, the adequacy and effectiveness of controls are evaluated and reported upon on each audit assignment. The audit report template clearly provides an assurance rating for both design and compliance for each control.
2200 – Engagement Planning	2201	Planning Considerations	✓			An audit planning record is issued and subject to formal approval for all audits. This outlines the scope, objectives, timescales, resource

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						<p>allocations, access requirements and limitations to scope for the assignment. This is reviewed and approved by the Head of Internal Audit before issuing to the client.</p> <p>Any consultancy engagement is also subject to documented, agreed scope, objectives and respective responsibilities of the auditor and the client.</p>
	2210	Engagement Objectives	✓			Audit planning records are agreed for each engagement following preliminary discussions on risks with the audit clients and with input and review from Head of Internal Audit. Value for money considerations are included in the scope of each assignment.
	2220	Engagement Scope	✓			Detailed audit planning records are provided for all assignments establish the objectives, resources and access to systems, records, personnel and premises, as appropriate.
	2230	Engagement Resource Allocation	✓			Audit planning records state the number of audit days allocated to the assignment and the Audit Manager should agree a scope which is achievable within the resource available. The Head of Internal Audit reviews and approves all audit planning records before issuing to clients to ensure scope is appropriate and consistent with resource allocation.
2300 – Performing the Engagement	2310	Identifying Information	✓			Audit Managers ensure that sufficient, reliable and relevant information is used for audit assignments. File reviews conducted by Head of Internal Audit to confirm quality of evidence and basis for conclusions.

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
	2320	Analysis and Evaluation	✓			<p>Reviews of electronic working papers conducted by Head of Internal Audit to confirm quality of evidence and basis for conclusions.</p> <p>Clearance meetings held with clients to discuss findings and basis for conclusions and provide opportunity to confirm accuracy of findings.</p>
	2330	Documenting Information	✓			<p>Retention of evidence to support conclusions and engagement results is saved on the audit software and network folders, where access is limited to Audit staff. Any hard copy evidence is scanned onto the network and software and destroyed via confidential waste.</p> <p>Practice note states 'Rutland County Council is the Consortium's employing body and the Consortium operates in line with the Council's Document Retention Policy'.</p>
	2340	Engagement Supervision	✓			<p>Monthly supervision meetings held with each member of Audit team to discuss progress made with each assignment, any issues encountered, workload and priorities for the month ahead.</p> <p>All audit reports are reviewed by the Head of Internal Audit and evidence is retained on file. All working papers are reviewed by the Head of Internal Audit (unless completed by an Auditor and fully reviewed by Audit Manager). Evidence of the review is held on the audit software with full audit trail.</p>
2400 – Communicating Results	2410	Criteria for Communicating	✓			<p>Internal Audit reports state the objectives, scope, conclusions, recommendations and agreed action plans.</p>

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
	2420	Quality of Communications	✓			Head of Internal Audit review of reports ensures these are accurate, objective, clear, concise, constructive, complete and timely.
	2421	Errors and Omissions	✓			No incidents recalled of any significant errors or omissions in reports. Any such incidents would be suitably escalated for resolution.
	2430	Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'	✓			Based upon completion of the improvement plan arising from the external assessment and the internal self-assessment, results support this statement.
	2431	Engagement Disclosure of Non-conformance	✓			Not applicable.
	2440	Disseminating Results	✓			<p>The final reports issued on all assignments are provided to all individuals named on the circulation list, approved at the commencement of the audit. Any circulation to parties in addition to those listed on the audit planning record will be agreed with the Head of Internal Audit and senior management.</p> <p>Copies of final audit reports are available to committee members by requesting from the Head of Internal Audit or s151 Officer.</p> <p>The progress reports presented at each committee meeting include the outcome of each assignment, in relation to the assurance rating and the key matters arising.</p>
	2450	Overall Opinions	✓			The Head of Internal Audit provides an annual Internal Audit opinion which should inform the Council's governance statement. This

Standard	Ref	Conformance with Standard	Yes	Partial	No	Evidence
						report includes an opinion, a summary of work that supports that opinion and a statement on conformance with PSIAS.
	2500	Monitoring Progress	✓			<p>There is an established process in place at each of the councils within the Consortium for the follow-up of progress made by management in implementing the agreed actions.</p> <p>Internal Audit monitor and report to the Committee on the progress made. The content of the progress reports was reviewed during 2015 and the Audit & Risk Committee now receives a detailed breakdown of the implementation of audit actions and full details of all actions which have been overdue for more than three months and classed as 'high' or 'medium' priority.</p> <p>The Committee also now receives the full Executive Summary of all audit reports finalised during the period.</p>
	2600	Communicating the Acceptance of Risks	✓			<p>Where an identified risk is accepted by management this is reflected in the audit report. Where the risk is subsequently accepted because the agreed action is no longer feasible this would be discussed with senior management and details and context would be reported to the Committee.</p> <p>If the Head of Internal Audit had concerns about the level of risk accepted by management this would be reported to the Committee.</p>

Conclusion:

Based upon the self-assessment completed by the Head of Internal Audit in April 2017, the Internal Audit service is generally operating in conformance with the Standards. The following actions have been identified to support continuous improvement of the service:

- To review and revise the training and development plans for staff, adopting the LGSS template. This will ensure consistency across the LGSS team and provide wider development opportunities and support to trainees.
- To present updated Internal Audit Charter to Governance Committee for formal annual approval in June 2017.

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GOVERNANCE COMMITTEE

6th June 2017

REPORT OF HEAD OF INTERNAL AUDIT

INTERNAL AUDIT CHARTER & STRATEGY

1.0 PURPOSE OF REPORT

- 1.1 To provide Members with a copy of the Internal Audit Charter and Strategy for review and approval.

2.0 RECOMMENDATIONS

- 2.1 **That Members review and approve the Internal Audit Charter.**

3.0 INTERNAL AUDIT CHARTER

- 3.1 The Public Sector Internal Audit Standards define the internal audit charter as 'a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation, including the nature of the chief audit executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities'.

- 3.2 Since 1st April 2017, the Internal Audit service has been formally delegated to LGSS. As such, at this point the Head of Internal Audit has undertaken a review of the Internal Audit Charter and Strategy, and has updated this to reflect best practice and the standard approach adopted across the LGSS client base.

- 3.3 The Committee should note that the key changes the updated Charter introduces are in relation to the assurance ratings for each audit assignment. The updated Charter introduces five assurance ratings for the design and compliance with controls, as follows:

- Substantial Assurance
- Good Assurance
- Satisfactory Assurance
- Limited Assurance
- No Assurance

- 3.4 Furthermore, under the proposed approach, an assurance rating will be given in relation to each of the following:

Control Environment – whether controls are robustly designed and whether there are any control weaknesses that impact upon the control environment;

Compliance – whether the controls are being consistently and effectively exercised in practice; and

Organisational Impact – the level of risk the Council is exposed to and the impact of the findings on the organisation as a whole. The ratings will be 'Major', 'Moderate' or 'Minor' impact.

4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 There are no wider policy implications arising from this report.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 There are no financial or other resource implications arising directly from this report.

6.0 LEGAL IMPLICATIONS/POWERS

6.1 There are no legal implications arising directly from this report.

7.0 COMMUNITY SAFETY

7.1 There are no community safety implications arising directly from this report.

8.0 EQUALITIES

8.1 There are no equalities implications arising directly from this report.

9.0 RISKS

9.1 In delivering its services, an effective Internal Audit team should help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

10.0 CLIMATE CHANGE

10.1 There are no climate change implications arising directly from this report.

11.0 CONSULTATION

11.1 N/A

12.0 WARDS AFFECTED

12.1 All wards are indirectly affected by the report.

Contact Officer Rachel Ashley-Caunt

Date: 19/05/2017

Appendices : A – Internal Audit Charter & Strategy

Background Papers: N/A

Reference : N/A



INTERNAL AUDIT CHARTER AND STRATEGY

1. INTRODUCTION & CONTEXT

- 1.1 Melton Borough Council's Internal Audit service is delivered by LGSS.
- 1.2 As austerity continues, the context for local government and for the overall governance, risk and control environment within which it operates is increasingly challenging. Efficiency and transformation programmes are fundamentally altering the nature and structure of the Council. Services have become increasingly sophisticated in their understanding of risk management and may accept greater levels of controlled risk in order to achieve their aims. This is accompanied by greater transparency and scrutiny of public expenditure and governance. This context will affect the overall governance, risk and control environment.
- 1.3 Internal Audit is required to maintain an Internal Audit Strategy and Charter. The core governance context for Internal Audit is summarised below:

The Accounts and Audit Regulations (2015) set out that:

*A relevant authority must ensure that it has a sound system of internal control which—
(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;*

*(b) ensures that the financial and operational management of the authority is effective;
and*

(c) includes effective arrangements for the management of risk.

And that:

A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

A relevant authority must, each financial year—

(a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and

(b) prepare an annual governance statement

The Public Sector Internal Audit Standards (PSIAS) issued in April 2013 include the need for risk-based plans to be developed for internal audit and to receive input from management and the 'Board' (usually discharged by the Council's Governance Committee). The work of Internal Audit therefore derives directly from these responsibilities, including:

PSIAS : 2010 - "The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals."

PSIAS : 2450 – “The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

- 1.4 The purpose of the audit strategy and charter is to put in place an approach that will enable Internal Audit to deliver a modern and effective service that:
- Meets the requirements of the Public Sector Internal Audit Standards and the Accounts and Audit Regulations;
 - Ensures effective audit coverage and a mechanism to provide independent and objective overall assurance in particular to Councillors and management;
 - Provides an independent Annual Opinion on the adequacy and effectiveness of the Council’s framework of governance, risk management and control environment;
 - Identifies the highest risk areas of the Council and allocates available internal audit resources accordingly;
 - Adds value and supports senior management in providing effective control and identifying opportunities for improving value for money; and
 - Supports the S151 officer in maintaining prudent financial stewardship for the Council
- 1.5 The following definitions apply throughout the Strategy and Charter:
- The Audit Committee – acts as the PSIAS defined Council ‘Board’
 - The LGSS Chief Internal Auditor – is the PSIAS defined ‘Chief Audit Executive’. In practice, a number of the key roles and responsibilities will be delegated to the LGSS Head of Internal Audit, unless otherwise stated.
 - Melton Borough Council’s Senior Management Team (SMT) – is the PSIAS defined ‘senior management’ team
 - Internal Audit – is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
 - Assurance Services – an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the Council. Egs include financial, performance, compliance, system security and due diligence.
 - Consulting Services – Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation’s governance, risk management and control processes without the internal auditor assuming management responsibility - examples include counsel, advice, facilitation and training.

2. STRATEGY & VISION

- 2.1 Internal Audit will provide the public, Councillors and Council officers with confidence that Council operations are properly governed and controlled, risks are effectively managed and service delivery meets customer need. Where confidence is not possible the service will

ensure that the implications and risks are understood to ensure proportionate action is taken. Internal Audit will be responsive to the Council's needs and the risks to which the Council is exposed. The 'Mission' for Internal Audit is therefore:

'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'

2.2. Internal Audit is not responsible for the control systems it audits. Responsibility for effective internal control rests with the management / executive of the Council. Directors and Heads of Service are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services and achieve approved objectives / policy.

2.3. LGSS Internal Audit will provide a robust high quality audit service that delivers honest, evidenced assurance, by:

- Focusing on what is important
Deploying its resources where there is most value aligned to the corporate objectives and priorities, the processes to facilitate these and the key risks to their achievement, whilst ensuring sufficient assurance to support the Annual Governance Statement.
- Being flexible and responsive to the needs of the Council
The Annual Plan will be reviewed quarterly enabling Audit resources to be redeployed as new risks emerge, with the agreement of senior management and the board.
- Being outward looking and forward focused
The service will be aware of national and local developments and of their potential impact on the Council's governance, risk management and control arrangements.
- Providing Assurance
There is value in providing assurance to senior managers and members that the arrangements they put in place are working effectively, and in helping managers to improve the systems and processes for which they are responsible.
- Balancing independent support and challenge
Avoiding a tone which blames, but being resolute in challenging for the wider benefit of the Council and residents.
- Having impact
Delivering work which has buy-in and which leads to sustained change.
- Enjoying a positive relationship with and being welcomed by the 'top table'
Identifying and sharing organisational issues and themes that are recognised and taken on board. Working constructively with management to support new developments.
- Strengthening the governance of the Council
Being ambassadors for and encouraging the Council towards best practice in order to maximise the chances of achieving its objectives, including the provision of consultancy and advice.

- 2.4 The Internal Audit Service maintains an ongoing and comprehensive understanding of:
- Local Government / Public Sector
 - The Council and its community
 - Professional Audit and Corporate Governance standards
- 2.5 All staff within the audit service hold a relevant professional qualification, part qualification or are actively studying towards a relevant qualification. All participate in continuing professional development, both in relation to specific audit skills e.g. contract audit, and softer skills e.g. communication skills.

3. AUTHORITY

- 3.1 In accordance with PSIAS, the Chief Internal Auditor has full responsibility for the operation and delivery of the Internal Audit function including the production and execution of the audit plan and subsequent audit activities. The annual audit plan will be agreed in consultation with relevant officers, the Audit Committee, and the senior management team.
- 3.2 Internal Audit's authority is documented and defined within the Council's Constitution and Financial Regulations. Internal Audit's remit extends across the entire control environment of the Council.
- 3.3 Internal Audit has unrestricted access to all Council and partner records and information (whether manual or computerised systems), officers, cash, stores and other property, it considers necessary to fulfil its responsibilities. Internal Audit may enter Council property and has unrestricted access to all locations and officers without prior notice if necessary.
- 3.4 All Council contracts and partnerships shall contain similar provision for Internal Audit to access records pertaining to the Council's business held by contractors or partners.
- 3.5 All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities.
- 3.6 The Audit Committee (as the Board) shall be informed of any restriction unduly placed on the scope of Internal Audit's activities which in the opinion of the Chief Internal Auditor prevent the proper discharge of IA functions.
- 3.7 The Chief Internal Auditor and individual audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.
- 3.8 To provide for independence the day to day management of the Internal Audit Service is undertaken by the Chief Internal Auditor/Head of Internal Audit who report to the Audit Committee. This accords with the Public Sector Internal Audit Standards which requires the Chief Internal Auditor to report to the very top of the organisation.
- 3.9 The Chief Internal Auditor has direct and unrestricted access to the Council's Chief Executive, Section 151 Officer, Directors, External Audit and Governance Committees at his/her discretion, including private meetings with the Chair of the Governance Committee.

4. INDEPENDENCE & OBJECTIVITY

- 4.1 Independence is essential to the effectiveness of the internal audit service; so it will remain free from interference in all regards. This shall include, but not be limited to, matters of audit selection, scope, procedure, frequency, timing or report content.
- 4.2 Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. They will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 4.3 In addition to the ethical requirements of the various professional bodies, each auditor is required to sign an annual declaration of interest to ensure that the allocation of audit work avoids conflict of interest and declare any potential 'conflict of interest' on allocation of an audit. Any potential impairments to independence or objectivity will be declared prior to accepting any work.
- 4.4 Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, 'approve' procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment. Where auditors have previously been involved in any of these activities or consultancy work they will be prohibited from auditing those areas for at least 2 years. Where appropriate, audits are rotated within the team to avoid over-familiarity and complacency.
- 4.5 The Chief Internal Auditor will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit service.

5. HOW THE SERVICE WILL BE DELIVERED

5.1 Audit Planning

The audit plan guides the work of the service during the year. The planning principles are:

- Focusing assurance effort on the most important issues, the key obligations, outcomes and objectives, critical business processes and projects, and principal risks; pitching coverage therefore at both strategic and key operational aspects;
- Maintaining up to date awareness of the impact of the external and internal environment on control arrangements;
- Using a risk assessment methodology to determine priorities for audit coverage based as far as possible on management's view of risk in conjunction with other intelligence sources e.g. corporate risk register, audit risk scores;
- Taking account of dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, but recognising in a resource constrained environment there will be situations when not all needs can be met which is where risk management is key;
- Being flexible so that the plan evolves through the year in response to emerging risks and issues;
- Providing for the delivery of key commitments, such as work done in support of the External Auditor thus reducing the external audit fee, and to deliver governance and antifraud responsibilities; and
- Including provision for responding to requests for assistance with special investigations, consultancy and other forms of advice from management and sources.

Annex A illustrates the Planning cycle and the processes through which individual assignments are undertaken, reports issued and opinions given.

The number of available audit days to the Internal Audit Service will be reviewed to be sufficient to enable the audit service to deliver the risk based plan in accordance with professional standards. This takes into account the fact that additional resource will be procured as and when necessary e.g. for technical IT audits, when significant resource is diverted through unplanned work. The focus on the high risk areas will reduce the overall coverage required.

In order to deliver the Annual Audit Plan at the required quality and professionalism we strive to ensure that the team has the required mix of skills and experience. The use of external experts e.g. IT auditors compared to employing or developing these expensive resources in house is constantly under review to ensure that the service delivers a high quality product at best value for money. Future recruitment will take into account the expertise and skills required to fill any gaps within the current service.

The breadth of coverage within the plan necessitates a wide range of high quality audit skills. The types of audit work undertaken include:

- Risk based system audit
- Compliance audit
- IT audit
- Procurement and contract management audit
- Project and programme audits
- Risk Management
- Fraud/investigation work
- Value for money audit
- Control self-assessment techniques
- Consultancy and advice

Internal Audit may procure external audit resource to enhance the service provision as necessary.

5.2 Internal Audit Annual Opinion

Each year the Chief Internal Auditor will provide a publicly reported opinion on the effectiveness of governance, risk and control, which also informs the Annual Governance Statement. This will be supported by reliable and relevant evidence gathered through all work undertaken by Internal Audit during the year.

5.3 Conduct of work

The principles of how we conduct our work are:

- Focusing on what is important to the Council and in the ultimate interests of the public;
- Striving continuously to foster buy-in and engagement with the audit process;
- Ensuring findings and facts reported are accurate and informed by a wide evidence base, including requesting information from ex-employees and other stakeholders where appropriate;
- Ensuring that risks identified in planning are followed through into audit work;

- Ensuring that the right skills and right approaches are in place for individual assignments;
- Suggesting actions that are pragmatic and proportionate to risk, tailored for the best result and take into account the culture, constraints and the cost of controls;
- Focusing as a rule on ensuring compliance with existing processes and systems and reducing bureaucracy rather than introducing new layers of control;
- Being resolute in challenging; taking account of views, escalating issues and holding our position when appropriate;
- Driving the audit process by agreeing deadlines, meeting these on our part, and escalating non-response promptly in order to complete our work; and
- Having high standards of behaviour at all times.

5.4 Reporting

The reports produced by the service are its key output. The reporting principles are:

- Providing balanced evidence-based reports which recognise both good practice and areas of weakness;
- Reporting in a timely, brief, clear and professional manner;
- Ensuring that reports clearly set out assurance opinions on the objectives/risks identified in planning work;
- Always seeking management's response to reports so that the final report includes a commitment to action;
- Sharing reports with senior management and members, identifying key themes and potential future risks so that our work has impact at the highest levels; and
- Sharing learning with the wider organisation with a view to encouraging best practice across the Council.

A written report will be prepared and issued following the conclusion of each internal audit engagement, including follow up audits; unless in the opinion of the Head of Internal Audit and Client lead a written report is unnecessary.

Each report will:

- Provide an evidenced opinion on the adequacy of the governance, risk and control processes;
- identify inadequately addressed risks and non-effective control processes;
- detail agreed actions including explanation for any corrective action that will not be implemented;
- provide management's response and timescale for corrective action;
- provide management's explanations for any risks that will not be addressed; and
- Identify individuals responsible for implementing agreed actions.

Senior Management shall ensure that agreed corrective actions are introduced.

All audits and follow ups receiving a weak or limited audit opinion will be highlighted to the senior management team, and the Audit Committee. Regular reports to the Audit Committee shall highlight each weak / limited report until controls have been restored to satisfactory levels at least.

To assist the manager/reader in easily identifying the areas that are well managed and the significance of areas of concern, actions, objectives and overall assurance opinions are categorised using three key elements as summarised below (and set out in detail at Annex B):

- 1) Assess and test the CONTROL ENVIRONMENT,
- 2) Test COMPLIANCE with those control systems, and
- 3) Assess the ORGANISATIONAL IMPACT of the area being audited.

5.5 Actions / Recommendations

Actions are categorised dependent on the risk as follows:

Importance	What this means
Essential	Action is imperative to ensure that the objectives for the area under review are met
Important	Requires actions to avoid exposure to significant risks in achieving objectives for the area
Standard	Action recommended to enhance control or improve operational efficiency

5.6 Follow up

All Essential and Important actions are followed up in accordance with the agreed action implementation dates. Further follow ups are undertaken as required. The Internal Audit Service will review their role in this area with the aim of promoting the action owner to proactively inform Internal Audit and provide evidence when an action has been fully implemented to inform the follow up process. Such an approach emphasises the need for managers to deliver required improvements without prompting, reinforcing their accountabilities

5.7 Quality Assurance

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- UK Public Sector Internal Audit Standards;
- All Council Policies and Procedures;
- Professional standards and Code of Ethics required by auditor's respective professional bodies;
- Internal Audit Strategy, Charter and Audit Manual; and
- All relevant legislation.

The Chief Internal Auditor maintains an appropriate Quality Assurance Framework and reports on this annually. The framework includes:

- An audit manual documenting methods of working;
- Supervision and review arrangements;

- Customer feedback arrangements;
- Quality Standards;
- Annual Internal review;
- Periodic external reviews;
- Performance measures, including:
 - Proportion of Plan completed, including spread of areas covered
 - Proportion of agreed actions implemented
 - Proportion of Weak / Limited Assurance opinion reports that improve to at least satisfactory as at follow up
 - Productive/direct time as a % of total time
 - Customer satisfaction levels

The completion of every assignment shall be monitored against:

- end to end time
- days taken to complete
- time between key audit stages e.g. draft issue to final report issue
- customer satisfaction

The Governance Committee, Senior Management Team and the Section 151 Officer receive regular updates on audits completed, the assurance opinions and actions implemented. Weak and limited opinion reports and key actions not implemented are discussed in more detail as appropriate with SMT, the Section 151 Officer and / or the Audit Committee.

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of:

- ongoing performance monitoring;
- an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards;
- an external assessment at least once every five years by a suitably qualified, independent assessor;
- a programme of Continuous Professional Development (CPD) for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies;
- the Chief Internal Auditor holding a professional qualification (current Chief Internal Auditor is a member of CIMA) and being suitably experienced; and
- encouraging, and where appropriate acting on, Customer feedback.

6. AUDIT COMMITTEE OVERSIGHT

The Chief Internal Auditor/Head of Internal Audit will provide regular update reports to the Governance Committee to advise on the progress in completing the audit plan, the outcomes of each internal audit engagement, and any significant risk exposures and control issues identified during audit work.

The Chief Internal Auditor/Head of Internal Audit will also present an annual report giving an opinion on the overall adequacy and effectiveness of the control environment which will be timed to support the Council's Annual Governance Statement. In addition the Governance Committee will:

- approve any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken;
- approve, but not direct, changes to the audit plan;
- be informed of results from the quality assurance and improvement programme; and
- be informed of any instances of non-conformance with the Public Sector Internal Audit Standards.

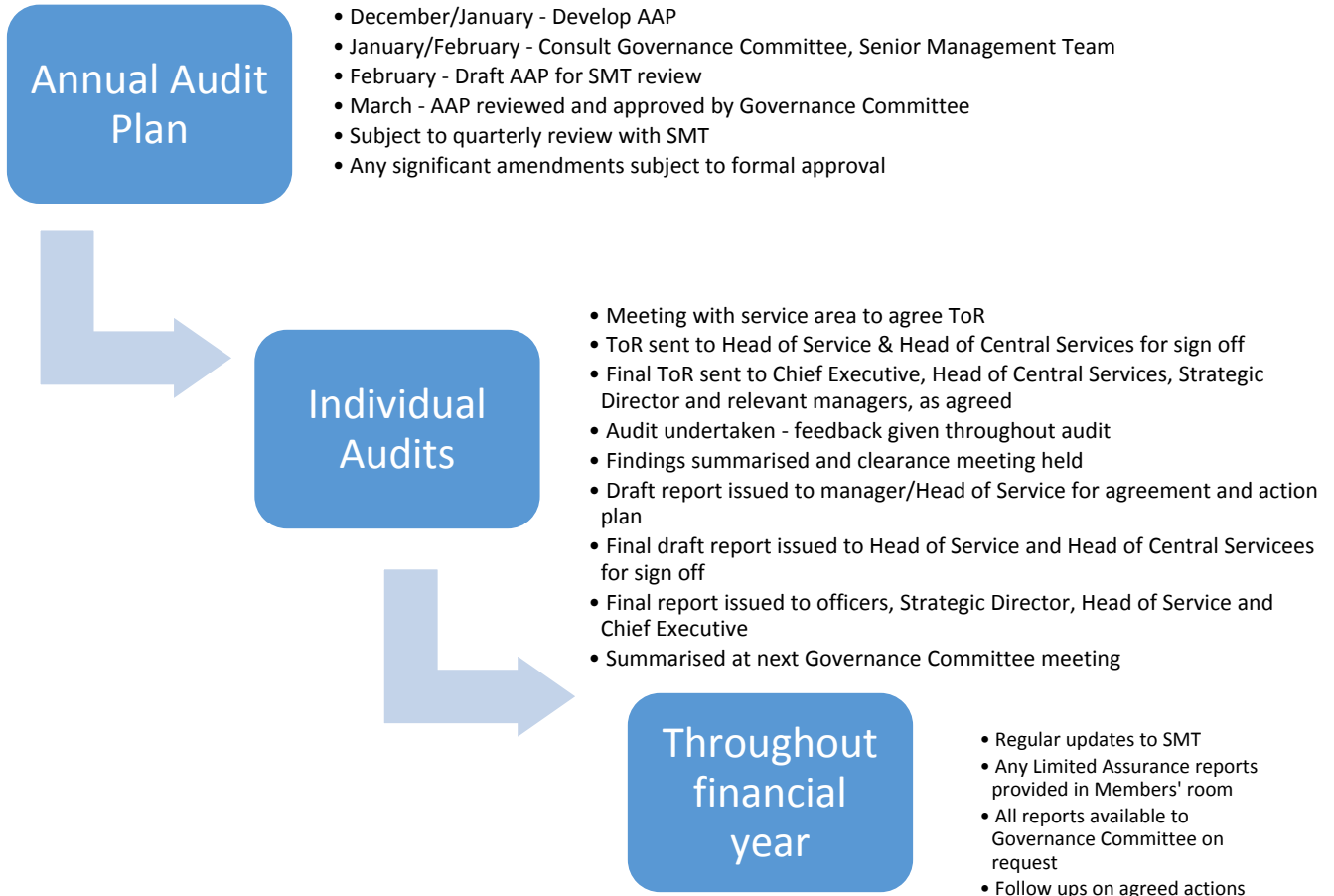
7. ANTI-FRAUD and ASSOCIATED ISSUES

The Chief Internal Auditor will ensure that all work is undertaken and all staff are conversant with the Council's Anti-Fraud policies and culture, including:

- Anti-Fraud and Corruption policy
- Whistleblowing policy
- Anti-Money Laundering Policy

All Internal Audit staff will be alert to possibility of fraud during all work but are not responsible for identifying fraud.

AUDIT PLANNING & DELIVERY PROCESSES



INTERNAL CONTROL ASSESSMENT

Control Environment Assurance	
Level	Definitions
Substantial	There are minimal control weaknesses that present very low risk to the control environment
Good	There are minor control weaknesses that present low risk to the control environment
Satisfactory	There are some control weaknesses that present a medium risk to the control environment
Limited	There are significant control weaknesses that present a high risk to the control environment
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment

Compliance Assurance	
Level	Definitions
Substantial	The control environment has substantially operated as intended although some minor errors have been detected
Good	The control environment has largely operated as intended although some errors have been detected
Satisfactory	The control environment has mainly operated as intended although errors have been detected
Limited	The control environment has not operated as intended. Significant errors have been detected
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse

Organisational Impact	
Level	Definitions
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole

Where specific compliance reviews are undertaken e.g. grant certification, the following definitions are used to assess the level of compliance in each individual reviewed, albeit each certification usually requires the Chief Internal Auditor and Managing Director to formally certify compliance with grant conditions.

Opinion for Compliance Audits – Levels of Compliance	
Level	Definitions
High	There was significant compliance with agreed policy and/or procedure with only minor errors identified.
Medium	There was general compliance with the agreed policy and/or procedure. Although errors have been identified there are not considered to be material.
Low	There was limited compliance with agreed policy and/or procedure. The errors identified are placing system objectives at risk.

Individual audits are reported to relevant Head of Service, the Strategic Director and the Chief Executive. Periodic summary reports are issued to the Governance Committee.

An Annual Audit Opinion is then constructed based upon the years' work and formally reported to the Senior Management Team, the Governance committee and relevant stakeholders to inform the Annual Governance Statement and Accounts.

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GOVERNANCE COMMITTEE

6th June 2017

REPORT OF HEAD OF INTERNAL AUDIT

COUNTER FRAUD AND CORRUPTION POLICY

1.0 PURPOSE OF REPORT

- 1.1 To provide Members with a copy of the Counter Fraud and Corruption Policy for review and approval.

2.0 RECOMMENDATIONS

- 2.1 **That Members review and approve the Counter Fraud and Corruption Policy.**
- 2.2 **Subject to 2.1 approval the revised Counter Fraud and Corruption Policy be referred to Full Council for approval and the Constitution be updated accordingly with the revised document.**
- 2.3 **That Full Council approve that delegated authority be given to the Head of Central Services to make minor changes to the Counter Fraud and Corruption Policy.**

3.0 COUNTER FRAUD AND CORRUPTION POLICY

- 3.1 The Council's last Counter Fraud Strategy was reviewed and approved in July 2014. In 2016/17, Internal Audit reviewed the Council's suite of counter fraud policies and highlighted a number of areas where the existing policy could be strengthened in line with best practice.
- 3.2 The policy should set out and support the Council's approach to preventing, detecting, investigating and recovering monies from attempted frauds. The policy should set the zero tolerance culture at the Council and the roles and responsibilities of all stakeholders in pro-actively managing this risk.
- 3.3 Should a suspected fraud be identified, the Council holds a Fraud Response Plan which sets out, in detail, the procedures to be followed. The Fraud Response Plan has been fully reviewed and updated as part of this exercise and is now held as a separate document to the Counter Fraud and Corruption Policy – on the basis that this relates to internal procedures.
- 3.4 Following the adoption of the revised policy, it is intended that the online training module for staff on Counter Fraud will be reviewed to ensure it is fully in line with the updated policy requirements and best practice.

4.0 POLICY AND CORPORATE IMPLICATIONS

- 4.1 There are no wider policy implications arising from this report.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

- 5.1 There are no financial or other resource implications arising directly from this report.

6.0 LEGAL IMPLICATIONS/POWERS

- 6.1 There are no legal implications arising directly from this report.

7.0 **COMMUNITY SAFETY**

7.1 There are no community safety implications arising directly from this report.

8.0 **EQUALITIES**

8.1 There are no equalities implications arising directly from this report.

9.0 **RISKS**

9.1 The risk of fraud should be acknowledged and actively managed by the Council. An effective Counter Fraud and Corruption Policy should support this approach.

10.0 **CLIMATE CHANGE**

10.1 There are no climate change implications arising directly from this report.

11.0 **CONSULTATION**

11.1 N/A

12.0 **WARDS AFFECTED**

12.1 All wards are indirectly affected by the report.

Contact Officer Rachel Ashley-Caunt
Date: 19/05/2017

Appendices : A – Counter Fraud and Corruption Policy

Background Papers: N/A

Reference : N/A



Counter Fraud & Corruption Policy

June 2017

Foreword

Melton Borough Council is committed to the highest standards of financial probity and takes its duty to protect the public funds it administers very seriously.

This is Melton Borough Council's Counter Fraud and Corruption Policy. It provides a clear framework for the Council to investigate suspected fraud thoroughly, to prosecute wherever the evidence supports such action and seek recovery of defrauded monies through all possible legal means.

The Council administers significant public funds and is sometimes targeted by persons wishing to defraud the public purse. This policy, and the structures maintained by the Council, demonstrate that we will make every effort to identify attempts to defraud the public purse and will robustly pursue individuals responsible.

The Council, through this policy, has adopted a zero tolerance towards fraud including:

- The referral of matters to the Police for investigation wherever appropriate and the full recovery of fraudulently obtained public funds by all legal means;
- The prosecution of persons responsible for defrauding the Council including prosecution through civil and criminal courts in the Council's own name or through the Police etc;
- The termination of contracts with partners and contractors; and
- The dismissal of employees proven to have defrauded or who have attempted to defraud the Council, including where an employee is complicit with another person's attempts to defraud the Council.

The Council requires all partners and contractors to assist in this role and cooperate with any fraud investigation undertaken by authorised officers.

Cllr Pat Cumbers
Governance Committee Chair

Lynn Aisbett
Chief Executive

1. INTRODUCTION

- 1.1 The authority aims to provide community leadership and quality services.
- 1.2 In carrying out its functions and responsibilities, the authority has always adopted a culture of openness and fairness and has expected that elected members and employees at all levels will adopt the highest standards of propriety and accountability. This has been achieved by leading by example and by an understanding of and adherence to rules, procedures and agreed practices. These standards are also expected from organisations that have dealings with the authority (eg suppliers/contractors).
- 1.3 However, in light of the Nolan Report, several well-publicised fraud and corruption cases within local government and the Local Government Act 2000, the authority has formalised these accepted standards and practices and developed an anti-fraud and corruption policy.
- 1.4 The authority demonstrates clearly (through this policy) that it is firmly committed to dealing with fraud and corruption and no distinction will be made for perpetrators inside (members/governors and employees) or outside the authority. In addition, there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not.
- 1.5 This policy document embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such an act occurs. For ease of understanding, it is separated into the following sections:

- Culture Section 2
- Prevention Section 3
- Deterrence Section 4
- Detection and investigation Section 5
- Awareness and Training Section 6

- 1.6 The authority is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as its External Auditors, inspection bodies, the Local Government Ombudsman, HM Revenue & Customs. These bodies are important in highlighting any areas where improvements can be made.
- 1.7 Fraud and corruption are defined by the Audit Commission as:

FRAUD – “the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain”.

In addition, fraud can also be defined as:

“The use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party.”

- 1.8 Corruption is the deliberate misuse of your position for direct or indirect personal gain. Corruption includes offering, giving, requesting or accepting bribe or reward, which influences your actions or the actions of someone else.
- 1.9 The Council’s Anti-Bribery Policy provides further details on bribery and the Council’s procedures in this area.
- 1.10 Other risk areas which need to be considered and are covered by this policy include:
- Facilitation payments – i.e. payments designed to make things happen but do not secure agreement. Section 106 payments are the subject of legal debate in this area.
- Gifts and Hospitality – genuine low level hospitality is deemed acceptable but it is imperative that registers are kept up to date and all staff must make declarations of interest.
- Disclosures of Interests – and ‘the failure to disclose an interest in order to gain financial or other pecuniary gain’.

2. CULTURE

- 2.1 The culture of the authority has always been one of the highest ethical standards, probity, openness and the core values of fairness, trust and value support this. The authority’s culture therefore supports the opposition to fraud and corruption.
- 2.2 The prevention/detection of fraud/corruption and the protection of the public purse are everyone’s responsibility and of paramount importance to the authority.
- 2.3 The authority’s elected members and all employees play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud and corruption, immaterial of seniority, rank or status, in the knowledge that such concerns will, wherever possible, be treated in confidence. To that effect the Council has adopted a Whistleblowing Policy.
- 2.4 The definitions of Fraud and Corruption are by their nature technical and have their basis in the Fraud Act which became law on 15th January 2007. A more practical definition is where the Council’s assets, including money, are dishonestly obtained by someone not entitled to them. Examples include :
- theft of cash or assets;
 - obtaining access to services not entitled to e.g. obtaining a Council house or grant funding;

- falsifying information or documentation e.g. timesheets, overtime, expenses, qualifications etc;
 - dishonesty between officers and management;
 - the deliberate concealment of information required by the Council e.g. convictions or activities inconsistent with the Council's duties and responsibilities; and
 - Defrauding welfare payments such as Housing Benefit and Council Tax benefit and Council Tax Single Person Discounts etc.
- 2.5 The authority will ensure that any allegations received in any way, including by anonymous letters or phone calls, will be taken seriously and investigated in an appropriate manner, subject to the requirements of the Human Rights Act 1998 and other statutory provisions.
- 2.6 The authority will deal firmly with those who defraud the authority, or who are corrupt, or where there has been financial malpractice. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as raising malicious allegations) may be dealt with as appropriate.
- 2.7 When fraud or corruption have occurred because of a breakdown in the authority's systems or procedures, Corporate or Service Directors will ensure that appropriate improvements in systems of control are implemented to prevent a reoccurrence.
- 2.8 In certain circumstances and where appropriate a commercial settlement between the Council and an employee may be deemed necessary as a way of disposing of a case. This should only be undertaken following agreement by the Chief Executive and Monitoring Officer and following an independent review by Counsel.

3. ROLES

Elected Members	<p>As elected representatives, all members of the authority have a duty to citizens to protect the authority from all forms of abuse. This is done through this anti-fraud and corruption policy and compliance with the national code of conduct for members, the authority's Financial Procedure Rules, Constitution and the relevant legislation.</p> <p>Elected members sign to the effect that they have read and understood the national code of conduct when they take office. Conduct and ethical matters are specifically brought to the attention of members during induction and include the declaration and registration of interests. The Monitoring Officer should advise members of new legislative or procedural requirements.</p> <p>Members are required to apply the principles of good governance regarding their own affairs and when acting for the Council including declare pecuniary or non-pecuniary interests, potential for a conflict of interest and record the receipt of all gifts and hospitality. Members must provide leadership by example in demonstrating the highest standards of probity and conduct so as to create the right anti fraud culture throughout Melton Borough Council.</p>
Governance Committee	<p>The Governance Committee and its members have specific responsibility re: the oversight of the Council's governance arrangements in respect of the adequacy of control systems to prevent and detect fraud but also the assurance that processes work effectively for individual cases.</p> <p>The Governance Committee considers annual reports from Internal Audit on suspected and proven frauds and monitors those systems of control applicable to that area, making recommendation to Council where such protection requires improvement.</p>

<p>SMT</p>	<p>SMT are responsible for the communication and implementation of this policy in their work area. They are also responsible for ensuring that their employees are aware of the Financial Procedure Rules and other policies, and that the requirements of each are being met in their everyday business activities.</p> <p>SMT have responsibility to ensure that effective systems of control are in place corporately and within their directorate to both prevent and detect fraud and that those systems operate properly.</p> <p>SMT are required to submit an annual self assessment of those processes for inclusion within the Council’s Annual Governance Statement.</p> <p>SMT must provide leadership by example in demonstrating the highest standards of probity and conduct so as to create the right anti-fraud culture throughout Melton Borough Council. SMT are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities.</p>
<p>Heads of Service/ Managers</p>	<p>Managers at all levels are responsible for the communication and implementation of this policy in their work area. They are also responsible for ensuring that their employees are aware of the Financial Procedure Rules and other policies, and that the requirements of each are being met in their everyday business activities.</p> <p>Managers of all levels must provide leadership by example is demonstrating the highest standards of probity and conduct so as to create the right anti-fraud culture throughout Melton Borough Council. Managers of all levels are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities.</p> <p>Heads of Service and Managers must ensure that special arrangements will apply where employees are responsible for cash handling or are in charge of financial systems and systems that generate payments, for example payroll, the integrated benefits computer system or council tax. Managers must ensure that relevant training is provided for employees. Checks must be carried out at least annually to ensure that proper procedures are being followed in order to inform the directorate annual self assessment.</p> <p>The authority recognises that a key preventative measure in</p>

	<p>dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts. The authority's recruitment procedures will be adhered to during this process.</p> <p>Management investigations into disciplinary matters must liaise with the Head of Audit regarding any potential fraud implications of the conduct / investigation.</p>
<p>Internal Audit</p>	<p>The Head of Audit shall recommend to the Head of Central Services whether a concern / suspicion regarding fraud requires investigation by the Internal Audit Investigators as opposed to management.</p> <p>Internal Audit plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and detect fraud and corruption. The Internal Audit Investigators liaise with management to recommend changes in procedures to prevent further losses to the authority.</p> <p>The Internal Audit service shall report to SMT and the Governance Committee regarding the application of the zero tolerance statement within this policy. Furthermore, the Internal Audit Investigators shall investigate all cases of suspected irregularity in accordance with the requirements of the Police and Criminal Evidence Act 1984, Human Rights Act 1998, Fraud Act 2006, Bribery Act 2010 and other relevant legislation. In all corporate related cases where employees are involved, they will work with HR and appropriate senior management to ensure that correct procedures are followed and that this policy is adhered to.</p> <p>The Head of Internal Audit maintains the Council's Fraud Log which is presented to the Governance Committee on an annual basis. The Head of Internal Audit will also review the Council's Counter Fraud Strategy and any action plans on a regular basis.</p>

<p>Employees</p>	<p>Each employee is governed in their work by the authority's Constitution and Financial Procedure Rules and other codes of conduct and policies (health and safety, IT strategy, IT security). Included in these are guidelines on gifts and hospitality and codes of conduct associated with professional and personal conduct and conflicts of interest. These are issued to all employees when they join the authority or will be provided by their manager.</p> <p>In addition to the above, employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of the authority. These will be included in induction training and procedure manuals.</p> <p>Employees are expected always to be aware of the possibility that fraud, corruption or theft may exist in the workplace and be able to share their concerns with management. Concerns should be raised, in the first instance, directly with the supervisor/business unit manager. If the employee feels that they cannot discuss their concerns directly with their line management they should refer to the Council's Whistleblowing Policy which gives details of independent persons they can discuss their concerns.</p> <p>All employees must ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of services. Internal tendering, planning and land issues etc. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.</p>
<p>External Audit</p>	<p>Independent external audit is an essential safeguard in the stewardship of public money. This role is delivered through the carrying out of specific reviews that are designed to test (amongst other things) the adequacy of the authority's financial systems, and arrangements for preventing and detecting fraud and corruption. It is not the external auditor's function to prevent fraud and irregularity, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice. The external auditor has a responsibility to review the authority's arrangements to prevent and detect fraud and irregularity, and arrangements designed to limit the opportunity for corrupt practices.</p>

<p>External Bodies</p>	<p>Internal Audit has arranged and will keep under review procedures and arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity in relation to local authorities with external agencies such as: police, county, unitary and district Council groups, external audit service, Department of Works and Pensions and other government departments.</p>
<p>Contractors and Partners</p>	<p>Contractors and partners have a responsibility for the communication and implementation of this policy within their organisation. They are also responsible for ensuring that their employees are aware of the Council’s Financial Procedure Rules, Whistleblowing and other policies, and that the requirements of each are being met in their everyday business activities.</p> <p>Contractors and partners are expected to create an environment in which their staff feel able to approach them (or the Council directly) with any concerns they may have about suspected irregularities. Where they are unsure of the procedures, they must refer to the relevant Head of Service for that area or may approach the Head of Internal Audit directly on any whistleblowing issue.</p>
<p>Stakeholders and Customers</p>	<p>Whilst this policy is primarily aimed at implementing the necessary culture and processes within the Council its Stakeholders and customers may become aware of issues that they feel may indicate fraud. They should refer to the Council’s Whistleblowing policy or they can contact the Head of Internal Audit to discuss their concerns directly.</p>

4. DETERRENCE

4.1. Prosecution

4.2.1 Each case will be considered on its merits.

4.2. Disciplinary Action

4.2.2 Theft, fraud and corruption are serious offences against the authority and employees will face disciplinary action if there is evidence that they have been involved in these activities. Disciplinary action will be taken, if appropriate, in addition to criminal proceedings, depending on the circumstances of each individual case.

4.2.3 Disciplinary action will be undertaken in accordance with the Council's disciplinary policy and procedure with each case considered on its merits.

4.2.4 Allegations against Members will be dealt with under the Member Complaints Process.

4.2.5 Members or employees involved in fraud, theft or corruption that does not involve the Council or its finances may still be subject to the above action if it is considered to undermine the Council and its reputation.

4.3. Publicity

4.2.6 The Council recognises the key role publicity of fraud cases pursued plays in deterring other attempts to defraud the Council. To that effect a Publicity Policy is attached at Annex A of this policy which sets out these measures in detail.

4.3.1 The authority's Communications officers will optimise the publicity opportunities associated with anti-fraud and corruption activity within the authority. Management will also try to ensure that the results of any action taken, including prosecutions, are reported in the media. Communications officers will maintain close working relationships with all areas involved in anti-fraud work but particularly Legal Services and Internal Audit.

4.3.2 In all cases where financial loss to the authority has occurred, the authority will seek to recover the loss and publicise this fact.

4.3.3 All anti-fraud and corruption activities, including the update of this policy, will be publicised in order to make the employees and the public aware of the authority's commitment to taking action on fraud and corruption when it occurs.

4.3.4 Regular reports will be made to the Governance committee about countering fraud and corruption activities and their success.

5. DETECTION AND INVESTIGATION

- 5.1 All staff, Members and any other stakeholder in Council services have a vital role in identifying potential fraud or corruption. It is not the responsibility of those groups to investigate their suspicions as this may undermine a case to be pursued but all parties play a key role in bringing such concerns to the Council's attention for a proper and thorough investigation to be undertaken.
- 5.2 Management are in the best position to become aware of any problems that could indicate fraud or theft etc. Management are also best placed to ensure that systems of internal control are in place and operating and thus are ideally placed to identify weaknesses or failures that may be exploited. Internal Audit can provide advice and assistance in this area.
- 5.3 Employees are also ideally placed to detect fraud, theft or corruption. Employees are encouraged to discuss concerns with their line manager but the Whistleblowing Policy also provides mechanisms to raise concerns corporately.
- 5.4 The Whistleblowing Policy provides a process to enable the Council to demonstrate :
- Proper investigations for all referrals
 - Proper action taken in relation to findings from investigations
 - Feedback is provided to anyone making a referral
 - Appropriate protection for anyone making or having made a referral.
- 5.5 Internal Audit plays an important role in the detection of fraud and corruption. Included in the annual Audit Plan are reviews of system of financial controls and specific fraud and corruption tests. Fraud risks are considered in the scoping of every audit assignment. Internal Audit operates in accordance with best practice including the adoption of a formal Audit Manual in line with CIPFA best practice and the Public Sector Internal Audit Standards. This includes suitable processes to provide assurance to management on the adequacy of systems of internal control including the completion of follow ups for previous recommendations.
- 5.6 In addition to internal audit, there are numerous systems controls in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection.
- 5.7 In some cases frauds are discovered by chance or 'tip-off' and arrangements are in place to enable such information to be properly dealt with, in accordance with the requirements of the Human Rights Act 1998.
- 5.8 All suspected irregularities are required to be reported (verbally or in writing) either by the person with whom the initial concern was raised or by the originator. This is essential to the policy, and:

- ensures the consistent treatment of information regarding fraud and corruption; and
- facilitates a proper and thorough investigation.

5.9 This process will apply to all the following areas:

- a) fraud/corruption by elected members;
- b) internal fraud/corruption;
- c) other fraud/corruption by authority employees;
- d) fraud by contractors' employees; and
- e) external fraud (the public).

5.10 Cases under a) will be referred to the Council's External Auditor and the Monitoring Officer.

5.11 In accordance with basic legal concepts any person who witnesses or discovers a criminal act has the right to refer concerns directly to the police.

5.12 Any decision to refer a matter to the police will be taken by the Head of Central Services in consultation with the Chief Executive and Corporate Governance Group. The authority will normally wish the police to be made aware of, and investigate independently, offenders where financial impropriety is discovered.

5.13 Depending on the nature of an allegation under b) to e), the Head of Internal Audit will normally work closely with the Head of Service concerned to ensure that all allegations are thoroughly investigated and reported upon.

5.14 The authority's disciplinary procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees.

6. AWARENESS AND TRAINING

- 6.1. The authority recognises that the continuing success of this policy and its general credibility will depend in part on the effectiveness of programmed training and an awareness of elected members and employees throughout the authority.
- 6.2. To facilitate this in the past, positive and appropriate provision had been made via induction and for employees via their development plans. However, for the future it is intended that a programme of anti-fraud awareness training in the form of workshops possibly incorporating interactive means, will be rolled out across the Council. There will still be specialist training for certain elected members and employees.
- 6.3. All employees have access to full copies of the Whistleblowing Policy, Counter Fraud and Corruption Policy, Money Laundering Policy and Anti-Bribery Policy on the Council's network.
- 6.4. Key to effective awareness (and deterrent) is a formal and comprehensive system of feedback to provide outcome information to the person who originally referred concerns. Whilst confidentiality must be respected (including the Data Protection Act and Human Rights Act provisions) every referral should be concluded and the outcome communicated to the person making the original referral.
- 6.5. Anti-fraud services should also maintain management information to show :
 - How frauds are identified
 - Which type of frauds were affected
 - Any patterns or themes detected
 - New fraud issues highlighted
 - Prevention measures

ANNEX A

Publicity**1. Introduction**

- 1.1 Melton Borough Council has adopted this policy to address counter fraud and corruption issues enhancing public confidence in the administration of taxpayers' money.
- 1.2 The Counter Fraud & Corruption Policy and particularly this Publicity section aim to :
 - 1.2.1 Make clear the connection between saving public monies and the fraud work that achieves this.
 - 1.2.2 Dispel the belief held in some quarters that fraud is a victimless crime
 - 1.2.3 Demonstrate consistent action is taken for both complex frauds and the perceived lower level frauds
 - 1.2.4 Ensure that tough action taken against persons who commit fraud is utilised as an effective deterrent to others
 - 1.2.5 Alter perceptions of this area of work to move for an image of petty bureaucracy or snoopers to one of professional public funds watchdog.
 - 1.2.6 Ensuring that action taken is consistent with Melton Borough Council policies and legislative provisions as well as being in the public interest
- 1.3 This policy covers the methods by which the counter fraud work by the authority will be promoted including the publicity associated with specific cases.

2 Publicity Categories

- 2.1 Publicity takes many forms including
 - Leaflets
 - Posters
 - Press Releases / Articles
 - Advertisements
 - Intranet or Internet media
- 2.2 It is imperative that all available forms are maximised to promote an zero tolerance culture towards fraud throughout the organisation and to the public. However great care is needed to ensure that publicity in relation to anti-fraud work is positive and does not undermine the service or reinforce the negative perceptions of this area of work.
- 2.3 Thus publicity needs to focus on three key areas :
 - 2.3.1 Pro-active publicity of counter fraud work
 - 2.3.2 Specific cases pursued e.g. specific prosecutions / convictions sought; and

2.3.3 Reactive responses to Media enquiries.

3 Proactive publicity of counter fraud work

- 3.1 This area of work is essential to promote the work of the services and ensure that others are aware of this work and thus deterred from attempting fraud. The aim of this publicity is to increase the profile of anti-fraud work across Melton Borough Council and the wider community in order to promote the referral processes and deter fraud.
- 3.2 An internet/intranet site shall be maintained which sets out details as to how to report fraud. The site will also provide links to relevant policies.
- 3.3 Any materials used for Fraud Awareness purposes shall be reviewed annually to reflect any necessary changes.
- 3.4 Fraud Awareness training is part of the Council's Corporate Training/Induction system.
- 3.5 In addition to the above the counter fraud work shall be promoted periodically both within the Council and to the general community.

4 Specific Cases

- 4.1 Great care must be taken when publicising any specific case of fraud, theft or corruption. Data Protection Act and Human Rights Act provisions are key legal protections provided to those suspected of committing such offences and must not be breached by the Council's attempts to promote anti-fraud work.
- 4.2 However the publicity attached to any specific case is a necessary element of promoting the deterrent effect of anti-fraud work as it demonstrates actual instances and consequences to individuals.
- 4.3 Any decision that the Council should prosecute an individual, individuals or organisation must be taken following a formal quality assurance procedure.
- 4.4 Any decision to pursue prosecution will be taken on the basis of professional advice, the merits of the case itself and any applicable guidelines.
- 4.5 All prosecutions should include a consideration of publicity issues and ensure that the Council's communications team are involved / aware of the issue so that the Council can adopt a proactive publicity strategy and avoid the need to react to press enquiries.
- 4.6 A specific decision will be taken and recorded by the Head of Service to issue a press release for any specific case, in consultation with the Head of Internal Audit and Head of Central Services. If the criminal investigation remains ongoing, any decision to publicise the matter must be formally agreed with the relevant police lead. In all other cases a press statement / position shall be prepared to address any potential press enquiry.
- 4.7 Press releases shall be prepared that promote the Council's Counter Fraud and Corruption policy and maximise the deterrent effect of prosecutions.

5 Reactive Responses to Media Enquiries

- 5.1 Ideally the above measures aim to minimise the need for this where the Council proactively provides relevant information to promote anti-fraud through local (and possibly national) media.
- 5.2 Press queries will arise on some occasions and it is essential that they are responded to in such a way as to promote the anti-fraud policy of the Council.
- 5.3 Responses to Press queries regarding specific individuals must not breach Data Protection or Human Rights legislation.

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GOVERNANCE COMMITTEE

6 JUNE 2017

REPORT OF HEAD OF COMMUNICATIONS

SUBSISTENCE ARRANGEMENTS

1.0 PURPOSE OF REPORT

- 1.1 At the request of the Full Council, the Committee is to consider whether to provide refreshments before evening meetings and if so the budget implications of doing so and refer its recommendations back to the Full Council.

2.0 RECOMMENDATIONS

- 2.1 **Members recommend to Full Council whether refreshments be provided before evening meetings starting after 5.30pm and if so the scope of meetings and the level of refreshment to be provided**
- 2.2 **Subject to 2.1 above to approve a supplementary estimate to cover the cost for 2017/18.**

3.0 KEY ISSUES

- 3.1 At the Full Council Meeting held on 26 April 2017, it was resolved that
- '...a further report be brought back to Council on the budget implications for providing refreshments before meetings of committees and Full Council.'

This report brings the relevant matters and costs together for the Committee's consideration so that recommendations can be made to Full Council on the way forward.

- 3.2 There was a discussion at the Full Council meeting held on 26 April 2017 which was instigated by Members and debated the previous practice of having sandwiches before evening meetings. The benefits of the service were outlined as providing an opportunity for Members to interact and catch up with each other on Council matters on a regular basis, it helped participants to remain focused when meetings went on longer than expected, it provided refreshments for Members who had come directly from work to a Council meeting and it also assisted Officers required to support such meetings who had mostly completed a full working day before an evening meeting started.

It was noted that the previous Efficiency Task Group had recommended that sandwiches before meetings were not continued due to the potential for a cost saving to the Council. However it was mentioned that the cost was small in comparison to the Council's overall budget.

- 3.3 The cost of providing a simple buffet before evening meetings has been requested from two local catering suppliers who are regularly used by the Council for other events. They were asked to quote for a basic menu of a selection of sandwiches per person and a slightly enhanced menu of sandwiches, fruit and cake. Both suppliers gave the same cost for the enhanced menu at £4 per

person and one cost so far has been received for the basic menu being £3 per person.

3.4 It is noted that there are other evening meetings besides Council and Committee meetings such as Task Groups and Workings Groups and these amount to approximately 20 per year involving up to 12 people. Therefore it is proposed that refreshments may also be available before these meetings provided they start after 5.30 p.m.

3.5 The cost of reintroducing the provision of refreshments before evening meetings scheduled on the approved Calendar of Meetings for 2017/18 is as follows :-

Meeting(s)	No. of mtgs per year	*No. of People	Basic Menu (£3 pp) per mtg	Enhanced Menu (£4 pp) per mtg	Total for year – Basic menu	Total for year – Enhanced menu
Full Council	6	31	93	124	558	744
CSA	5	13	39	52	195	260
Governance	5	13	39	52	195	260
Licensing	5	13	39	52	195	260
PFA	5	13	39	52	195	260
Planning	17	14	42	56	714	952
REEA	5	14	42	56	210	280
Town Area	11	18	54	72	594	792
Totals					2856	3808

*Based on Committee membership and 3 Support Officers

3.6 It should be noted that there are Extraordinary Council and ad hoc Committee meetings held in the evenings which are additional to the approved Calendar of Meetings and these would also require the same level of refreshments.

3.7 The following costs relate to ad hoc Task Groups and Working Groups arranged to be held in the evening after 5.30 p.m. based on 20 meetings per year involved up to 12 people.

Meeting(s)	No. of mtgs per year	*No. of People	Basic Menu (£3 pp) per mtg	Enhanced Menu (£4 pp) per mtg	Total for year – Basic menu	Total for year – Enhanced menu
Ad hoc Task Groups and Working Groups	20	12	36	48	720	960
Totals					720	960

It is noted that the majority of evening working group meetings are related to the business of the Melton Local Plan Working Group.

4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 The service supports the well-being of Councillors and the Council's Officers who attend evening meetings and contributes to the Council's priority for being a 'Well

run Council’.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 As there is no current budget provision for sandwiches before meetings, it is proposed that a supplementary estimate would be needed for this service in the sum of £4,076 for 2017/18 to provide a basic sandwich menu and £5,268 to provide a slightly enhanced menu before meetings as detailed below :-

Meetings	Total for year – Basic menu (£3 pp)	Total for year – Enhanced menu (£4 pp)
Total cost for all Council & Committee meetings scheduled on the Calendar of Meetings for 2017/18	2856	3808
20 x Ad hoc Task Groups and Working Groups involving up to 12 people at each meeting	720	960
Contingency for Extraordinary Council and Ad hoc Committee meetings	500	500
Totals	4076	5268

5.2 Should it be approved to go ahead with this service in 2017/18, a growth bid will be put forward for the 2018/19 budget.

6.0 LEGAL IMPLICATIONS/POWERS

6.1 There are no legal implications in this report.

7.0 COMMUNITY SAFETY

7.1 There are no community safety implications relating to this report.

8.0 EQUALITIES

8.1 An Equalities Impact Assessment is to be drafted.

9.0 RISKS

9.1

9.2

L I K E L I H O O D	A Very High				
	B High				
	C Significant				
	D Low				
	E Very Low		1		
	F Almost Impossible				
		Negligible 1	Marginal 2	Critical 3	Catastrophic 4

IMPACT

Risk No	Risk Description
1	Impact on health and well-being due to no opportunity to eat before meetings

10.0 CLIMATE CHANGE

10.1 There are no climate change implications.

11.0 CONSULTATION

11.1 There has been consultation with Unison as the proposal affects the well-being of staff.

12.0 WARDS AFFECTED

12.1 No wards are affected by this report.

Contact Officer: Angela Roberts/Sarah Evans
 Date: May 2017
 Appendices: None
 Background Papers: Calendar of Meetings 2017 18
 Reference: X : Committees\Governance\2017 18\060617\Subsistence Arrangements

Award of Merit Task Group: Terms of Reference

(Approved by Governance Committee on 17 January 2013 and *revised on 29 June 2015)

Melton Borough Award and Mayor's Award of Merit

1. There be up to 5 awards as follows :-
 - (a) **1 x Melton Borough Award**
 - **To recognise contribution to the life of the Borough eg. promotion of the Borough, go beyond job role, benefit others through their work**
 - **Must be over 18 years of age**
 - **To include an individual or organisation or group**
 - **May be in employment or paid for their contribution**
 - (b) **4 x Mayor's Awards of Merit**
 - **To recognise outstanding and selfless contribution to the community**
 - **Must be over 18 years of age**
 - **To include an individual or organisation or group**
 - **Contribution must be voluntary and unpaid**
2. The 'Robert Hyslop Citizen of the Year Award' be awarded to the most outstanding of the 'Award of Merit' nominations.
3. There be a citation for each awardee and this be entered into a book created for the purpose of recording awardees.
4. Nominations for awards be made via a Borough Councillor or direct to the Council (a Councillor cannot refuse to assist a nomination).
5. Councillors may not be nominated until 2 years has passed since they ceased to be Councillor and the reason for nomination be not related to their Council work.
6. Nominations must relate to service in the Borough and there be no requirement for nominees to live in the Borough.
7. A Councillor on the Award of Merit Task Group may not score for a candidate for whom they have nominated; the scoring will be amended accordingly to reflect this.*
8. A nominee cannot receive more than 1 award in the same year.
9. A successful awardee cannot receive an award in the following year after receiving an award.

Young Citizen Award

1. There be up to 5 Young Citizen Awards as follows :-
 - **To recognise the positive role young people play in our community today and encourage our youth to be thoughtful and caring citizens of the future**
 - **Must be 25 years of age* or under**
 - **To include an individual or organisation or group**
2. The Derek Sanders Cup be awarded to the most outstanding of the Young Citizen nominations
3. Apart from (1) and (2) above and in the over 18 awards, nominations to meet the same criteria as the Melton Borough Award and the Mayor's Awards of Merit.

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GOVERNANCE COMMITTEE

6 JUNE 2017

REPORT OF MONITORING OFFICER

CODE OF CONDUCT – UPDATE

1.0 PURPOSE OF REPORT

- 1.1 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.

2.0 RECOMMENDATIONS

- 2.1 **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.**

3.0 KEY ISSUES

3.1 Registration of Disclosable Pecuniary Interests and Other Interests

Registration of Disclosable Pecuniary Interests (DPI) and other interests appears to have become the norm for Borough and Parish Councillors to complete when there is any change. Updates from both Borough and Parish Councillors are generally received when there is change to the submitted form or when new Councillors are appointed and these updates are added to the Council's website.

3.2 Complaints

At the time of writing this report, there are 5 formal complaints in progress.

3.3 Independent Persons and Parish Representatives

The Independent Person continues to meet on a regular basis with the Monitoring Officer to discuss any issues and generally keep up to date on standards matters. The Independent Person(s) are also involved in meetings with the Leicestershire group of Monitoring Officers which provides an opportunity to share experiences and learning with others in the same role.

As the term of office of the current Independent Person ends this July a recruitment process has recently been completed and two Independent Persons have been appointed subject to references and approval by Full Council at its meeting on 19 July 2017.

With regard to the Parish Representatives, it is usually the case these are appointed early in the new Civic Year by the Melton Branch of the Leicestershire and Rutland Association of Local Councils, however as this group is not currently meeting and there has been no information to suggest a change in representation, the two existing Parish Representatives have remained in post.

4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 Strong Corporate Governance is important in order to ensure high standards of conduct are maintained.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 The implementation of the new requirements is impacting on administrative resources with particular regard to the Parish requirements.

6.0 LEGAL IMPLICATIONS/POWERS

6.1 Of particular note in the Localism Act is the change making the non-registration of a disclosable pecuniary interest within 28 days a criminal offence.

7.0 COMMUNITY SAFETY

7.1 There are no specific community safety implications in this report.

8.0 EQUALITIES

8.1 An Equalities Screening Assessment has been completed and outlines the Council's responsibilities with regard to matters within the report under the Localism Act.

9.0 RISKS

9.1 The risks associated with the report are considered to relate to managing the requirements of the Localism Act and the implications of this not being followed by Councillors impacting on the Council's decision-making process and reputation.

L I K E L I H O O D	A	Very High				
	B	High				
	C	Significant				
	D	Low		1		
	E	Very Low				
	F	Almost Impossible				
				Negligible 1	Marginal 2	Critical 3
		IMPACT				

Risk No	Risk Description
1	Decisions of the Sub Committees challenged due to processes not followed in line with legislation and the Council's agreed process.

10.0

CLIMATE CHANGE

10.1 Publishing the Registration of Disclosable Pecuniary Interest forms and information on the Councillor Complaints process to the website encourages paper free access to information and helps to meet the Council's green targets.

11.0 CONSULTATION

11.1 There is consultation with the Independent Persons on Member complaints that are not informally resolved as well as consultation with the Parish Representatives on Parish Councillor complaints.

12.0 WARDS AFFECTED

12.1 All indirectly.

Contact Officer: Angela Roberts, Monitoring Officer
Date: May 2017
Appendices: None.
Background Papers: Localism Act 2011
Minutes of Council Meeting held on 18 July 2012
Minutes of Council Meeting held on 17 July 2013
Minutes of Council Meeting held on 11 December 2013
Previous Minutes of Standards Committee
Previous Minutes of Governance Committee
Reference: Governance/2017-18/060617/Code of Conduct – Update on Progress

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GOVERNANCE COMMITTEE

6 JUNE 2017

REPORT OF MONITORING OFFICER

CONSTITUTION UPDATE 2017 18

1.0 PURPOSE OF REPORT

- 1.1 The Committee is requested to consider constitutional items and those approved will be referred to the Council for adoption and incorporation into the Council's Constitution.

2.0 RECOMMENDATIONS

- 2.1 **To note that the Members' Allowances Scheme for 2017/18 that was approved at Full Council on 8 February 2017 is now in place and following the recent NJC Pay Award of 1.0% the allowances have been increased as set out at Appendix A.**
- 2.2 **The revised scheme will be referred to full Council for adoption into the Council's Constitution.**

3.0 KEY ISSUES

- 3.1 As the Constitution is a living document, any additions or changes are brought to the Committee's attention as soon as these come to light to enable the Council's work to move forward and the Constitution to be as up to date as possible. The Council's Management Team and T3 (Third Tier Officer Group) are involved in updating their respective areas of the Constitution.
- 3.2 The Committee is to refer its recommendations for amending the Constitution to the Full Council for adoption and inclusion in the Constitution.
- 3.3 Part 6 – Members' Allowances Scheme

At Full Council on 8 February 2017, the Council approved a Members' Allowances Scheme that was to come into effect on 17 May 2017 (after the Annual Meeting) and this is now in place.

The scheme outlines that Members' Allowances are to be index linked to the NJC Pay Award. Therefore further to the 1.0% Pay Award that was backdated to 1 April 2017, the Members' Allowances Scheme as set out in Part 6 of the Constitution has been updated to reflect the new allowances. The updated scheme is attached at Appendix A.

4.0 POLICY AND CORPORATE IMPLICATIONS

- 4.1 Due to the Constitution being a living document there are times when amendments are needed to enable the organisation to function efficiently. Therefore items will be referred to the Committee as required.

4.2 The regular reviews and updates to the Constitution and ensuring it is up to date on its decision-making processes supports the Council's priority for being a 'Well run Council'.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 Any financial and resource implications will be met from existing resources.

6.0 LEGAL IMPLICATIONS/POWERS

6.1 Any change in legislation overrides the current wording of the Constitution and the Monitoring Officer has delegated authority to make amendments as required by the law. Therefore such legal consequential changes will be put in place immediately and reported to the Committee as soon as possible thereafter.

7.0 COMMUNITY SAFETY

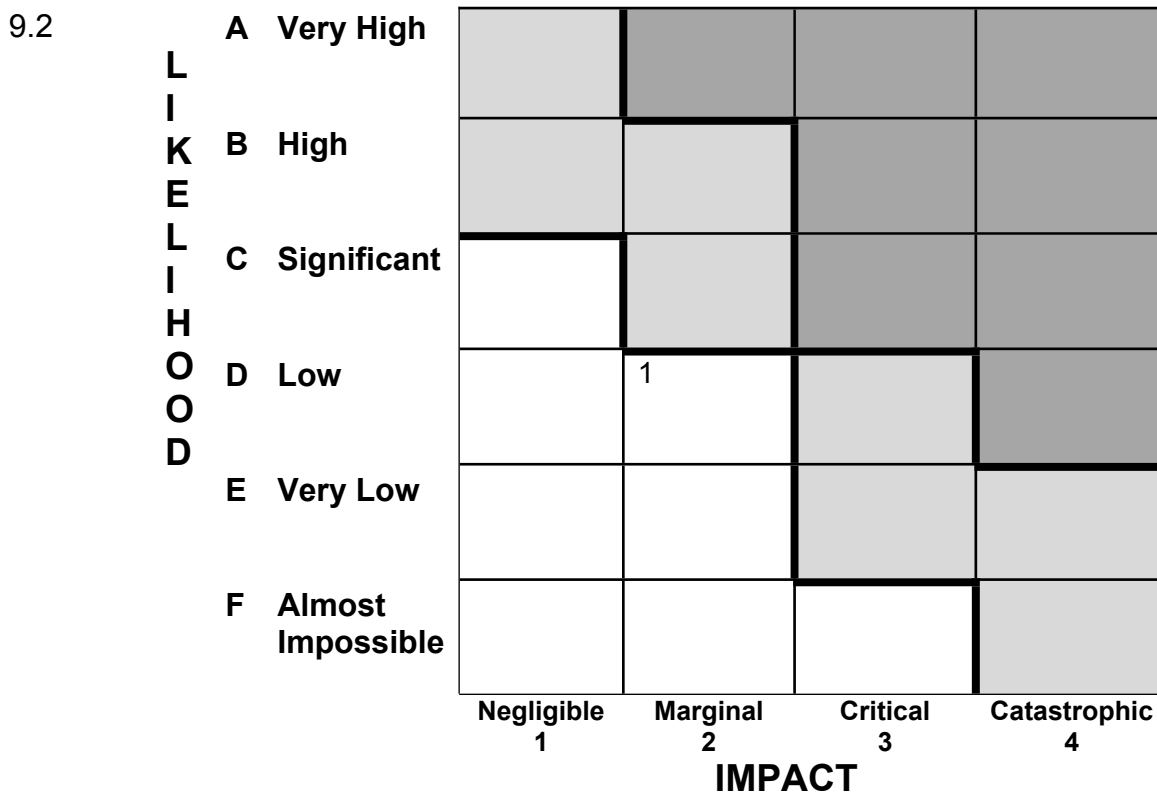
7.1 There are no community safety implications relating to this report.

8.0 EQUALITIES

8.1 An Equalities Screening Assessment has drafted and most items presented relate to the legality of decision-making.

9.0 RISKS

9.1 The risks associated with the report are considered to relate to following legal and constitutional procedures in decision-making.



Risk No	Risk Description
1	Decisions challenged due to appropriate processes not followed.

10.0 **CLIMATE CHANGE**

10.1 The Constitution is available on the Council's website and electronically to Members and Officers to meet the Council's corporate commitment to meet green targets.

11.0 **CONSULTATION**

11.1 There is regular internal consultation with Management Team and T3 to ensure the Constitution reflects the Council's current responsibilities and arrangements.

12.0 **WARDS AFFECTED**

12.1 All wards are indirectly affected by this report.

Contact Officer Angela Roberts/Sarah Evans
Date: May 2017

Appendices : Appendix A- Part 6 – Members' Allowances Scheme

Background Papers: Constitution 2017 18

Reference : X : Committees\Governance\2017 18\060617\Constitution Update 2017/18

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Part 6

Member Allowances Scheme

WEF 17 May 2017

(In accordance with NJC pay award, 1% increase applied wef 1 April 2017)

MEMBER ALLOWANCES SCHEME

Melton Borough Council, in accordance with the requirements of the Local Authorities (Members Allowances)(England) Regulations 2003 and the Local Authorities (Members Allowances)(England)(Amendment) Regulations 2003, makes the following scheme for Member Allowances.

In this scheme, 'Councillor' means a member of the Melton Borough Council who is a Councillor.

The commencement date of the scheme shall be 17 May 2017.

A 'year' means the period commencing on the day of the Annual General Meeting and ending on the day prior to the next Annual General Meeting.

The scheme shall consist of 6 key elements being :-

- (a) Basic allowance
- (b) Special responsibility allowance and other payments
- (c) Dependent carers' allowance
- (d) Travelling and subsistence allowance
- (e) Scheme requirements
- (f) Independent Remuneration Panels

1.0 BASIC ALLOWANCE

1.1 Each Councillor shall be entitled to the same basic allowance. From 17 May 2017 the Allowance shall be £4,710 and shall be increased annually on 1st April each year in line with the National Joint Council Staff Pay Award.

1.2 Should a Member not claim the basic allowance, expenses be claimable up to the maximum of the basic allowance.

2.0 SPECIAL RESPONSIBILITY ALLOWANCE

2.1 This scheme provides for the payment, for each year for which this scheme relates, of an allowance ('special responsibility allowance') to such Members of the Council as have such special responsibilities in relation to the Council as are specified below. These Special Responsibility Allowances shall be increased annually on 1st April each year in line with the National Joint Council Staff Pay Award.

2.2 A maximum of one Special Responsibility Allowance only can be claimed for by a Member and unless notified otherwise the payment will be based on the highest allowance.

Position	Detail relating to role	Allowance per annum
Leader of the Council	(Role includes Chair of Policy, Finance & Administration Committee)	£12,530
Deputy Leader	(Role includes Vice Chair of Policy, Finance & Administration Committee)	£4,004
Other Group Leader(s)	Other Group Leaders (besides the Leader of the Council) – see note below*	*£3,660
Leader of the Opposition	The main Opposition Group Leader's allowance be augmented by this sum – see note below**	**£684
Chair	Community and Social Affairs Committee	£4,004
Chair	Governance Committee	£4,004
Chair	Licensing & Regulatory Committee	£4,004
Chair	Planning Committee	£4,004
Chair	Rural, Economic and Environmental Affairs	£4,004
Chair	Town Area Committee	£4,004
Chair	Appeals Committee	£2,121
Vice Chair	Community and Social Affairs Committee	£1,180
Vice Chair	Governance Committee	£1,180
Vice Chair	Licensing & Regulatory Committee	£1,180
Vice Chair	Planning Committee	£1,180
Vice Chair	Rural, Economic and Environmental Affairs	£1,180
Vice Chair	Town Area Committee	£1,180

* Where the Members of the Council are divided into at least two groups constituted in accordance with regulation 8 of the Local Government (Committees and Political Groups) Regulations 1990, a special responsibility allowance shall be paid to the Leader(s) of the political group(s) other than the group containing the Leader of the Council to a maximum of the special responsibility allowance paid to the Policy Committee Chair.

The amount of such allowance for each Leader other than the Leader of the Council shall be calculated by sharing the allocated sum* pro rata to the number of Members in each group excluding the group containing the Leader of the Council.

Where there is just one other Group Leader, besides the Leader of the Council, 50% of the allocated sum* be paid.

** The Leader of the Opposition is entitled to an additional sum per annum to recognise the additional responsibilities undertaken by the Leader of the Opposition due to the Council not having a scrutiny function.

2.3 Other payments - Councillors

Who is entitled	Reason for payment	Amount payable
Planning Committee and Substitute Members	Attendance at Planning Site Visit and Member Briefing (see note below)	£31 per site visit
When the number and duration of site visits, combined with the duration of the Members briefing reaches a level where the Head of Regulatory Services in consultation with the Chairman of the Planning Committee deems it appropriate, a light buffet shall be provided for the Members, without any deduction from their Site Visit Attendance Allowance.		
All Councillors	Reimbursement of computer consumables such as printer cartridges and paper (on the production of a receipt)	Up to £52 per annum
All Councillors	Fee for registering Members of the Council as Data Controllers under the Data Protection Act which is administered by the Council on behalf of all Members (see note below)	£35 per annum for each Councillor
The Data Protection Act 1998 requires every data controller (including Elected Members) who may process personal information to register with the Information Commissioner's Office (ICO) which requires each Member to pay a £35 fee.		

2.4 Payments in respect of other roles

Who is entitled	Reason for payment	Amount per annum
Independent Person(s)	Appointed to advise the Governance Committee on Code of Conduct complaints	£472
Parish Representative(s)	Required to be involved in considering allegations against a Parish Councillor	£306

3.0 **CHILD CARE AND DEPENDANT CARERS' ALLOWANCE**

3.1 A Councillor shall be entitled to claim an allowance of up to £6.69 per hour in respect of expenses actually incurred in arranging child care and dependants' relative care whilst engaged on any of the approved duties set out below subject to a maximum amount in any year of £1,335..

3.2 The following duties are those which are "Approved Duties" for the purpose of payment of childcare and dependant carers' allowance :-

- (a) Meetings of the Council
- (b) Meetings of Committees and Task Groups (attended by Members thereof)
- (c) A meeting committee or sub-committee of an outside organisation as the Council's appointed representative
- (d) A meeting which has both been authorised by the Council or a Committee and to which representatives of more than one political group have been invited
- (e) A meeting of a local authority association of which the authority is a member
- (f) Duties undertaken on behalf of the authority in connection with the discharge of any function of the authority conferred by or under any enactment and empowering or requiring the authoring to inspect or authorise the inspection of premises

4.0 **TRAVEL AND SUBSISTENCE ALLOWANCE**

4.1 A Councillor shall be entitled to claim travel and subsistence expenses in accordance with the NJC rates and the following duties are those which are 'Approved Duties' for the purpose of payment of travel and subsistence expenses :-

- (a) Meetings of the Council
- (b) Meetings of Committees and Task Groups (attended by Members thereof)
- (c) Chairman's Briefing meetings
- (d) Community Governance Forums
- (e) On approved visits and trips organised by the Council where the Councillor has been authorised to attend as the Council's representative
- (f) Planning application site visits
- (g) Properly convened meetings with Government departments, statutory authorities or other local authorities to discuss the work of the Council

- (h) In connection with the discharge of any function of the Council conferred by or under any enactment and empowering or requiring the Council to inspect or authorise the inspection of premises
- (i) At the invitation of a Committee Chairman in order to speak on an item of particular interest
- (j) Conference or seminar the booking fee for which has been paid by the Council
- (k) Meeting, committee or sub-committee of an outside organisation as the Council's appointed representative
- (l) Training courses organised by the Council
- (m) Any meeting event or seminar in connection with the work of the Welland Partnership as the Council's appointed representative
- (n) Any duty approved by the Chief Executive under delegated authority in accordance with the guidelines set out at 4.2 below.
- (o) Any other duty approved by the Council, or any duty of a class so approved, for the purpose of, or in connection with the discharge of the functions of the Council or any of its Committees or Task Groups

4.2 Guidelines for use of delegated power by Chief Executive in respect of 'Approved Duties' for travel and subsistence

- 4.2.1 Under the Scheme of Delegation, the Chief Executive (and in his/her absence, the appointed Deputy as set out in the Constitution) has been granted delegated authority to approve duties which have not previously been approved by the Council.
- 4.2.2 In exercising his/her delegation the Chief Executive must have regard to these guidelines.
- 4.2.3 The Chief Executive must ensure that there is sufficient budgetary provision taking into account:-
 - (a) the financial provision required to meet existing commitments under the Member' Allowances Scheme;
 - (b) the financial provision required for the support and development needs of all Members for the financial year in question;
 - (c) the cost and quality of the course/seminar/conference where applicable.
- 4.2.4 The Chief Executive must ensure that:
 - (a) the meeting/conference/seminar is relevant to the Member's role and responsibilities at the Council, ie. by virtue of membership of a

Committee, Task Group, Panel or Outside Body or his/her position as Chair or Vice-Chair of a Committee, Task Group, Panel or Outside Body; or

- (b) attendance would be beneficial to the Council or non-attendance would be prejudicial to the Council or its standing in the wider community; or
- (c) the conference/seminar provides necessary or relevant training or education to the member(s) in his/her/their capacity as a Borough Councillor; or
- (d) the conference/seminar forms part of an agreed programme of training for Members; and
- (e) the conference/seminar does not duplicate attendance by that Member at a previous conference/seminar meeting.

4.2.5 The Chief Executive must ensure that;

- (a) all approvals are given prior to the duties taking place;
- (b) all approvals are recorded in a register kept for the purpose;
- (c) the entry in the register is made at the time the approval is given.

5.0 **SCHEME REQUIREMENTS**

5.1 **Election to forgo allowances**

5.1.1 A person may, by notice given in writing to the Head of Communications, elect to forego his or her entitlement or any part of his or her entitlement to allowances.

5.2 **Claims**

5.2.1 A claim for travel and subsistence expenses and/or childcare and dependant carers' allowance under this scheme shall be made in writing in the form prescribed by the Head of Communications within two months of the date of the meeting in respect of which the entitlement to the allowance arises.

5.2.2 A claim for travel and subsistence expenses and/or childcare and dependent carers' allowance shall include, or be accompanied by, a statement by the Councillor claiming the allowance that he or she is not entitled to receive remuneration in respect of the matter to which the claim relates otherwise than under this scheme.

5.3 **Payments**

5.3.1 In respect of basic and special responsibility allowances, subject to paragraph 5.3.3 below, in instalments of one-twelfth of the amount specified in this scheme on the penultimate day of each month by bank credit.

5.3.2 In respect of travel and subsistence expenses, and/or childcare and dependant carers' allowance on the penultimate working day of each month by bank credit in respect of claims received by the end of the previous month.

5.3.3 Where a payment of one-twelfth of the amount specified in this Scheme in respect of a basic allowance or a special allowance would result in the Councillor receiving more than the amount to which, by virtue of paragraph 5.1.1, he or she is entitled, the payment shall be restricted to such amount as will ensure that no more is paid than the amount he or she is entitled.

5.4 **Part-year Entitlements**

5.4.1 The provisions of this paragraph shall have effect to regulate the entitlements of a Councillor to basic and special responsibility allowances where, in the course of a year, this scheme is amended or that Councillor becomes, or ceases to be, a Councillor, or accepts or relinquishes a special responsibility in respect of which a special responsibility allowance is payable.

5.4.2 If an amendment to this scheme changes the amount to which a Councillor is entitled by way of a basic allowance or a special responsibility allowance, then in relation to each of the periods :

(a) beginning with the year and ending with the day before that on which the first amendment in that year takes effect, or

(b) beginning with the day on which an amendment takes effect and ending with the day before that on which the next amendment takes effect, or (if none) with the year.

the entitlement to such an allowance shall be to the payment of such part of the amount of the allowance under this scheme as it has effect during the relevant period as bears to the whole the same proportion as the number of days in the period bears to the number of days in the year.

5.4.3 Where the terms of office of a Councillor begins or ends otherwise than at the beginning or end of a year, the entitlement of that Councillor to a basic allowance shall be to the payment to such part of the basic allowance as bears to the whole the same proportion as the number of days during which his term of office subsists bears to the number of days in that year.

5.4.4 Where this scheme is amended as mentioned in paragraph 5.4.2, and the term of office of a Councillor does not subsist throughout the period mentioned in paragraph 5.4.2(a), the entitlement of any such Councillor to a basic allowance shall be to the payment of such part of the basic allowance referable to each such period (ascertained in accordance with paragraph 5.4.2(a)) as bears to the whole the same proportion as the number of days during which his term of office as a Councillor subsists bears to the number of days in that period.

5.4.5 Where a Councillor has during part of, but not throughout, a year such

special responsibilities as entitle him or her to a special responsibility allowance, that Councillor's entitlement shall be to payment of such part of that allowance as bears to the whole the same proportion as the number of days during which he has such responsibilities bears to the number of days in that year.

5.4.6 Where this scheme is amended as mentioned in sub-paragraph 5.4.2 and a Councillor has during part, but does not have throughout the whole, of any period mentioned in paragraph 5.4.2 (a) of that paragraph any such special responsibilities as entitle him or her to a special responsibility allowance, that Councillor's entitlement shall be to payment of such part of the allowance referable to each such period (ascertained in accordance with that paragraph) as bears to the whole the same proportion as the number of days in that period during which he or she has such special responsibilities bears to the number of days in that period.

5.5 **Records of Allowances**

5.5.1 A record of payment shall be kept, which shall:

- (a) specify the name of the recipient of the payment and the amount and nature of each payment;
- (b) be available, at all reasonable times, for inspection and at no charge by any local government elector for the area of the Borough of Melton; and
- (c) be supplied in copy to any person who requests such a copy and who pays to the Council such reasonable fee as the Head of Communications may determine at the time of application.

5.5.2 As soon as reasonably practicable after the end of a year to which the scheme relates, the Council shall make arrangements for the publication within the authority's area of the total sum paid by it in the year under the scheme to each recipient in respect of the following :-

Basic Allowance
Special Responsibility Allowance
Dependent Carers' Allowance
Travelling and Subsistence Allowance

5.6 **Publicity**

5.6.1 The Council shall, as soon as reasonably practicable after the making or amendment of a scheme, make arrangements for its publication by:

- (a) ensuring that copies of the scheme are available for inspection by members of the public at the principal office of the Council, at all reasonable hours; and
- (b) publishing in one or more newspapers circulating in its area, a notice which:

- i. states that the Council has made or amended a scheme and specifies the period of time for which the scheme has effect;
- ii. describes the main features of the scheme and specifies the amounts payable in respect of each allowance mentioned in the scheme;
- iii. describes any responsibilities or duties specified in the scheme in accordance with Regulations in relation to special responsibility allowance and travelling and subsistence allowance;
- iv. confirms that in making or amending the scheme, the Council complied with any duty arising under Regulations to have regard to the recommendations of an Independent Remuneration Panel;
- v. describes the main features of that Panel's recommendations and specifies the recommended amounts of each allowance mentioned in its report for the Council;
- vi. states that copies of the scheme and copies of a record kept in accordance with Regulations are available at the principal office of the Council for inspection by members of the public at such times as may be specified by the Council in the notice; and
- vii. specifies the address of the principal office of the Council at which such copies are made available.

5.6.2 The Council shall ensure that a notice in the form required under paragraph 5.6.1 above is published in one or more newspapers circulating in its area as soon as possible after the expiration of twelve months after the previous publication of such a notice, irrespective of whether the scheme has been amended during that twelve month period.

5.6.3 The Council shall supply a copy of the scheme to any person who requests a copy and who pays to the authority such reasonable fee as the authority may determine.

5.6.4 This scheme shall come into force with effect from 17 May 2017 and any previous scheme shall be deemed revoked for the payment of allowances.

6.0 **INDEPENDENT REMUNERATION PANELS**

6.1 **Duty to have regard to Recommendations**

6.1.1 Before the Council makes or amends a scheme, it shall have regard to the recommendations made in relation to it by the Independent Remuneration Panel.

6.1.2 There shall not be more than one Panel which makes recommendations in respect of this Council.

6.1.3 The Independent Remuneration Panel shall consist of at least three

Members none of whom:

(a) shall also be a Member of this Council or a Member of a Committee or Sub Committee of the Council; or

(b) is disqualified from being or becoming a Member of an authority.

6.1.4 The Council will pay all reasonable travelling and subsistence expenses incurred by the Independent Remuneration Panel in carrying out its functions.

6.1.5 The Council has agreed to pay the Chair of the Independent Remuneration Panel the following :-

	£
Full Review	1,000
Chair's final report	500
Presentation of report to Full Council	500
Interim Review	500
Chair's final report	250
Presentation of report to Full Council	250

6.2 **Recommendations of the Independent Remuneration Panel**

6.2.1 The Independent Remuneration Panel shall produce a report making recommendations:

(a) as to the responsibilities or duties in respect of which the following should be available:

- i. special responsibility allowance
- ii. travelling and subsistence allowance
- iii. co optees' allowance (if provided for)

(b) as to the amount of such allowances and as to the amount of basic allowance;

(c) as to whether dependants' carers' allowance should be payable to Members of an authority, and as to the amount of such an allowance;

(d) as to whether, in the event that the scheme is amended at any time so as to affect an allowance payable for the year in which the amendment is made, payment of allowances may be backdated in accordance with Regulations;

(e) as to whether adjustments to the level of allowances may be determined according to an index and if so which index and how long that index should apply, subject to a maximum of four years, before its application is reviewed;

(f) as to which Members of an authority are to be entitled to pensions in

accordance with a scheme made under section 7 of the Superannuation Act 1972;

- (g) as to treating basic allowance or special responsibility allowance, or both, as amounts in respect of which such pensions are payable in accordance with a scheme made under section 7 of the Superannuation Act 1972

6.2.2 A copy of the report of the Independent Remuneration Panel shall be sent to Council.

6.3 Publicity for recommendations of the Independent Remuneration Panel

6.3.1 Once the Council receives a copy of a report made to it by the Independent Remuneration Panel in accordance with Regulations, it shall, as soon as reasonably practicable:

- (a) ensure that copies of that report are available for inspection by members of the public at the principal office of the authority, at all reasonable hours; and

(b) publish in one or more newspapers circulating in its area, a notice which:

- i. states that it has received recommendations from an Independent Remuneration Panel in respect of its scheme;
- ii. describes the main features of that Panel's recommendations and specifies the recommended amounts of each allowance mentioned in the report in respect of the Council;
- iii. states that copies of the Panel's report are available at the principal office of the Council for inspection by members of the public at such times as may be specified by the authority in the notice; and
- iv. specifies the address of the principal office of the Council at which such copies are made available.

6.3.2 The Council shall supply a copy of a report made by the Independent Remuneration Panel in accordance with Regulations to any person who requests a copy and who pays to the Council such reasonable fee as the authority may determine at the time of the request.

By virtue of paragraph(s) 1, 2 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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