



Rural Capital of Food

Agenda

Meeting name	Governance Committee
Date	Tuesday, 12 June 2018
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.

Edd de Coverly
Chief Executive

Membership

Councillors	P. Cumbers (Chair)	J. Simpson (Vice-Chair)
	T. Bains	T. Beaken
	M. Blase	J. Douglas
	P. Faulkner	M. Glancy
	J. Illingworth	P. Posnett

Quorum: 4 Councillors

Meeting enquiries	Catherine Richards
Email	crichards@melton.gov.uk
Agenda despatched	Monday, 4 June 2018

No.	Item	Page No.
1.	APOLOGIES FOR ABSENCE	
2.	MINUTES To confirm the minutes of the meeting held on 27 March 2018. To confirm the minutes of the ad hoc meeting held on 30 April 2018.	1 - 18
3.	DECLARATIONS OF INTEREST Members to declare any interest as appropriate in respect of items to be considered at this meeting.	19 - 20
4.	INTERNAL AUDIT ANNUAL REPORT 2017/18 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.	21 - 54
5.	INTERNAL AUDIT CHARTER AND STRATEGY The Head of Internal Audit to submit a report providing Members with a copy of the Internal Audit Charter and Strategy for review and approval.	55 - 68
6.	FRAUD UPDATE The Head of Internal Audit to submit a report updating Members on the implementation and latest status of the Counter Fraud Action Plan and to report upon any frauds alleged and investigated during 2017/18.	69 - 74
7.	RISK MANAGEMENT ANNUAL REPORT The Director for Corporate Services to submit a report updating Members on the management of risk within the Council during 2017/18 and presenting an updated risk management policy and strategy for Members approval.	75 - 96
8.	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.	97 - 100

9.	CONSTITUTION UPDATE 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.	101 - 118
10.	URGENT BUSINESS To consider any other items that the Chair considers urgent.	

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Minutes

Meeting name	Governance Committee
Date	Tuesday, 27 March 2018
Start time	6.30 pm
Venue	Parkside, Station Approach, Burton Street, Melton Mowbray LE13 1GH

Present:

Chair Councillor P. Cumbers (Chair)

Councillors

J. Simpson (Vice-Chair)	M. Blase
P. Chandler	J. Douglas
P. Faulkner	A. Freer-Jones
M. Glancy	J. Illingworth
M. Graham (Substitute)	

Observers

E. Holmes
J. Orson

Officers

Chief Executive
Assistant Director for Strategic Planning and Regulatory Services
Head of Internal Audit
Administrative Assistant Elections & Member Support

Minute No.	Minute
G55	<p>Apologies for Absence Apologies for Absence were received from Councillor Beaken. Councillor Graham attended in her place.</p>
G56	<p>Minutes The minutes of the meeting held on 6 February 2018 were confirmed and authorised to be signed by the chair.</p>
G57	<p>Declarations of Interest There were no declarations of interest.</p>
G58	<p>Recommendations From Other Committees There were no recommendations from other Committees.</p>
G59	<p>Update on Decisions There were no outstanding decisions to consider at this meeting.</p>
G60	<p>Internal Audit Update The Head of Internal Audit</p> <p>(a) submitted a report (copies of which had previously been circulated to Members) which updated the Committee on progress made in delivery of the 2017/18 Annual Audit Plan and key findings arising from audit assignments completed;</p> <p>(b) advised that since the last Committee meeting</p> <ul style="list-style-type: none"> • three reports had been finalised as summarised at Appendix A, Section 2.5 of the report <ul style="list-style-type: none"> i. <u>Financial System Key Controls</u>: This was the annual audit of key controls in financial systems. Sample testing confirmed 100% compliance with key controls on BACS payments, control account reconciliation, invoice processing and credit notes. Housing rents were reviewed and it was confirmed that updates to records had been made in a timely manner. Internal Audit made a recommendation around ensuring a reconciliation between the rent roll and the property records and also recommendations around improving the procedural guidance for council tax and NNDR relief, discounts and exemptions. Overall, good levels of assurance and minor organisational risk remained. ii. <u>Leisure Vision Phase 2</u>: The scope of the Phase 2 project had initially been to procure a design, build, operate and manage

model for the Melton Sports and Leisure Village. A large procurement process took place involving key officers from Legal and Procurement Sections and a project group, including consultants/specialists. Following dialogue with potential bidders, it was established that the full procurement should not go ahead and instead a contract for the operation of the ongoing facilities was awarded. The project management and decision making arrangements around the project were reviewed and given a good level of assurance with minor organisational risk overall.

iii. Waste Contract Procurement: This was the second review of the project management arrangements this year. Based on the evidence provided of decision making, risk management, issue management and communications, good assurance ratings had been maintained. The project planning had been strong with timely highlight of any slippage and all recommendations from Internal Audit's previous report to this Committee had been implemented effectively

- there remained a number of overdue recommendations, which Internal Audit were monitoring with Management. It was anticipated that an improved position would be reported at the next meeting of this Committee in June 2018.

(c) highlighted the update on fraud investigation work. This was the outcome of the investigation which Internal Audit had been working on over the last year. Court proceedings had concluded and guilty verdicts were passed in respect of the former officer of this Council and his wife. The officer was sentenced to twenty months in prison and his wife received a suspended sentence. This information would be included within the annual fraud report to this Committee in June 2018. There would also be a further report to this Committee concerning the recovery of monies through this fraud.

The Chair thanked the Head of Internal Audit for her excellent work.

A Member asked why the project management budget for consultancy support on the Waste Project had to be increased from £99k to £154k. The Assistant Director for Strategic Planning and Regulatory Services advised that there had been six bidders, leading to more additional work to support rounds of dialogue, assessment and evaluation etc and also due to prudential borrowing and financial advice. The revised budget would be sufficient to complete the project.

The Member also queried why a meeting which was due to take place in February 2018 (with a software supplier) and which had to be cancelled was rearranged for May 2018. Could an earlier date not have been agreed? The Head of Internal Audit advised that the meeting had been cancelled due to adverse weather conditions and the Chief Executive advised that he did not have further details but would look into this.

Another Member referred to Financial Systems Key Controls, asking whether processes had now been implemented to ensure user access was revoked when staff changed roles, left this Council etc. The Head of Internal Audit confirmed that this would be examined as part of the Cyber Security review. However, there was a process in place to ensure access rights were updated for leavers.

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

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

G61

Internal Audit Annual Plan 2018/19

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 2018/19, for review and formal approval, in line with the requirements of the Public Sector Internal Audit Standards
- (b) stated that the plan at Table one of the report had been developed in accordance with the risk based approach discussed with Members in November 2017 and agreed with Management Team;
- (c) advised 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 Internal Audit's opinion and provide management and Committee assurances;
- (d) confirmed that any consultancy assignments were stated as such;
- (e) highlighted a 'reserve list' of audit areas at Table 2 of the report, which if not covered during 2018/19, would be included in Audit Planning 2019/20.

A Member queried what IR35 compliance was and the Head of Internal Audit advised that this referred to new legislation relating to agency workers. The Member also noted that a total of sixteen and a half audit days had been spent working on Key Financial Controls during 2017/18 but only fifteen days had been allocated to this for 2018/19. The Head of Internal Audit confirmed that Internal Audit were comfortable with the allocation of fifteen days.

Another Member advised that during discussion of the plan in November 2017, they had suggested 'controls around S106 spending' as an audit assignment and queried if this would be audited as part of Key Financial Controls. The Head of Internal Audit reminded the Committee that it had been agreed to audit controls around S106 spending in 2019/20 and that this had been noted for the next year's audit plan.

RESOVED that

- (1) the Internal Audit Plan for 2018/19 be approved;
- (2) delegated authority be given to the Director for Corporate Services in consultation with the Chair of the this Committee, to agree amendments to the Plan during the financial year if required.

G62

Local Government Association Governance Review

The Chief Executive

- (a) submitted a report (copies of which had previously been circulated to Members) providing the Committee with the Local Government Association's (LGA) Governance Review report and recommendations, enabling Members to consider initial next steps;
- (b) advised that following the LGA Peer Challenge in December 2017, a report with a list of recommendations and Action Plan had been accepted by Full Council. One of the recommendations was to improve this Council's governance and decision making arrangements and the LGA were invited to assist in this work;
- (c) confirmed that a review of this Council's current arrangements was held on 12 to 14 March 2018. The remit of the review was to explore where the Council could improve, streamline and clarify its policy development, Committee system and decision making arrangements;
- (d) Highlighted
 - i. that having already provided some initial verbal feedback, the LGA's report was attached as Appendix A of the report. He noted that this was a challenging report for Members and officers.
 - ii. the recommendations at paragraphs 2.1, 2.2 and 2.3, which provided the opportunity for this Committee to receive the report and establish an informal development group, consisting of a small group of Members and officers to work together to develop proposals to improve, streamline and clarify the Committees and associated structures. Their proposals would be presented at a future ad hoc meeting of this Committee in April 2018 and the report proposed that any recommended changes would then be considered at the Council Annual General Meeting in May 2018. This would set clarity of direction and focus for the new municipal year. It was also proposed that this group undertake further research on the other recommendations within the report, which would take more time to consider.

The Chair highlighted recommendation 2.4 that the Leader be asked to nominate up to four Members to be part of the informal governance development group.

A Member commented that there was very little within the LGA's report that they did not agree with. Systems needed to be strengthened and there was a vast amount that could be actioned quickly. They cautioned against moving towards a Leader and Cabinet model of governance.

A Member stated that they did not agree that the Leader nominate which Members would form part of the group. The small group should be a proportionate representation of this Council.

Another Member highlighted that if the small group was to include an independent representative, it would not be a proportionate representation of this Council, which was made up of 90% Conservative Councillors.

The Leader urged Members to approve the recommendations commenting that there had been considerable overlap on this Council's Committees in recent years. This needed to stop, in order for the Council to improve. He confirmed that his nominations would reflect the nature of this Council as far as possible and that all Members would have the opportunity to consider the recommendations at the Council meeting.

The Chief Executive advised that this would be an informal group and did not require political balance. He highlighted that the findings of the informal group would be submitted to this politically balanced Committee for formal consideration.

A Member added that they would like to think that the Leader would nominate to the small group appropriately.

Another Member stated that they did not feel it appropriate that the proposals from the small group be presented at the Annual General Meeting in May 2018 and it was suggested that a meeting of Extraordinary Council be held prior to the Annual General Meeting, to enable Member to consider this.

RESOLVED that

- (1) the report and recommendations from the Local Government Association's Governance Review be received and noted;
- (2) the establishment of an informal Member and officer development group to review the findings and develop proposals to improve, streamline and clarify the Committee and related group structures be supported. These proposals to be considered by an ad hoc meeting of this Committee in April with a view to any agreed changes being recommended to an Extraordinary Council in May;
- (3) the development group be asked to undertake further research in relation to the other findings and recommendation set out in the Local Government Association's report;

(4) the Leader of the Council be asked to nominate up to four Members to work with him and officers within the development group.

G63

General Data Protection Regulations Update

On behalf of the Monitoring Officer, the Chief Executive

- (a) submitted a report (copies of which had previously been circulated to Members) advising the Committee of the current state of preparations to implement the EU General Data Protection Regulation (GDPR)
- (b) advised that the report detailed the work which had been done and the work which remained to be done, in readiness for the 25 May implementation deadline, to provide assurance to Members.
- (c) confirmed that Legal and Democratic Services' Principal Solicitor would be GDPR Statutory Data Protection Officer. He, as Head of Paid Service would ensure that the duties were discharged in the interim by an appropriate officer, until the Principal Solicitor was in post.

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

RESOLVED that the report be noted.

G64

Eaton and Waltham Community Review

On behalf on the Deputy Chief Executive, the Chief Executive

- (a) submitted reports (copies of which had previously been circulated to Members) advising the Committee of the Terms of Reference for the Eaton Parish Council Community Governance Review and of a request for a Community Governance Review by Waltham on the Wolds and Thorpe Arnold Parish Council and to inform Members of key issues associated with such a review;
- (b) commented that it was good practice to consider conducting Reviews every ten to fifteen years (except in the case of areas with very low population, when less frequent reviews may be adequate). Reviews were triggered either by elapse of time or by request of the local (Parish) Council
- (c) advised that Eaton Parish Council and Waltham on the Wolds and Thorpe Arnold Parish Council had requested Reviews and this Council had responsibility for undertaking the review;
- (d) highlighted the reasons for the Community Governance Review of Eaton Parish Council as
 - i. The distribution of Councillors between the two Parish Wards within Eaton Parish Council, with one of the Parish Council seats from Eaton

Ward of the Eaton Parish Council to the Eastwell Ward of the Eaton Parish Council

- ii. The renaming of the Eastwell Ward within Eaton Parish Council to the Eastwell and Goadby Marwood Ward

and the reasons for the Community Governance Review of Waltham on the Wold and Thorpe Arnold Parish Council as

- i. To increase the number of Parish Councillors from six to eight;

- (e) Confirmed that there would be no alterations to the parish boundaries as part of the Reviews

A Member queried who the LGBCE were and the Chief Executive confirmed this referred to the Local Government Boundary Commission for England. The Member requested that future reports contain the extended term before the abbreviated form, so Members are able to reference it.

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

RESOVED that

- (1) the Terms of Reference for the Eaton Parish Council Community Governance Review, as set out at Appendix A of the report be agreed;
- (2) the undertaking of a Community Governance Review of the Waltham on the Wolds and Thorpe Arnold Parish Council area be agreed and the Terms of Reference, as set out at Appendix A of the report be agreed.

G65

Annual Review of the Constitution 2017/18

On behalf of the Monitoring Officer, the Chief Executive

- (a) submitted a report (copies of which had previously been circulated to Members) to enable the Committee to consider an annual review of the Council's Constitution and any amendments for onward referral to the Council for approval, as well as note changes to the Constitution approved by the Council since November 2016;
- (b) gave an overview of the report, confirming that an extensive review of the Constitution for 2017/18 had been undertaken, to ensure it was up to date. As well as this annual review, it was current practice that any additions or changes to the Constitution be brought to this Committee's attention as soon as these came to light;
- (c) highlighted
 - i. an amendment at clause 11 of Appendix A1, the revised Substitute Policy, to include the wording 'and/or the Briefing' where Planning Site

- Visits were referred to
- ii. there were a number of Planning related and other changes
 - iii. the proposed Calendar of Meetings 2018/19 at Appendix C of the report.

A Member queried if it was premature to agree the changes to the Constitution at this meeting and suggested waiting for the outcome of the forthcoming Governance Review (discussed earlier at this meeting).

Another Member referred to Appendix A of the report, Review of Constitution 2017/18 Items for Consideration, asking why 'To exercise the enforcement powers and duties of the Council and Returning Officer in relation to elections' would transfer to Policy, Finance and Administration Committee rather than to this Committee.

The Chief Executive suggested that the recommendation at paragraph 2.1 be amended to propose that actions set out at Appendix A of the report be considered by the informal development group (discussed earlier at the meeting), rather than approved here. Members agreed.

A Member referred to the Example Attendance Register Procedure for Substitute Members, asking if a column could be added to the Register with the heading 'Substitute for Who'. This would remind Members to add the details to the Register. The Chief Executive confirmed this would be fed back to the Senior Democracy Officer.

RESOLVED that

- (1) the proposed actions, as set out at Appendix A of the report be referred to the governance development group for consideration as part of the wider Governance Review. A comprehensive set of recommendations to be considered at an ad hoc meeting of this Committee in April;
- (2) Appendix A1 of the report (revised Substitute Policy) be approved, subject to the following amendment at clause 11 of the Policy

'If sufficient notice has been given, a Member substituting on the Planning Committee will be expected to attend the Planning Site Visit and/or the Briefing. But the Substitute Member could still take part in the Planning Committee meeting, even if they had not attended the Planning Site Visit and/or the Briefing'

And

Appendix A2 of the report (Revised Code of Conduct for Members and officers dealing with Planning matters) be approved;

- (3) it be noted that any changes to the Constitution may be subject to

amendment following the review of Governance arrangements as explained at paragraph 3.2 of the report;

- (4) the items which have been approved for inclusion in the Constitution at Council Meetings since December 2016 and which are set out at Appendix B of the report be noted;
- (5) Part 3 – Terms of Reference of Policy, Finance and Administration
It be noted that the Monitoring Officer has exercised his delegation to make a minor procedural and operational change to the Constitution in respect of an amendment to the existing Terms of Reference to the Policy, Finance & Administration Committee to remove the words in brackets being '(5 Members, politically balanced)' at item 14 to align with the previously approved wording at Full Council on 12 December 2017;
- (6) the proposed Calendar of Meetings 2018 19 as at Appendix C be referred to the Annual Meeting of the Council.
- (7) It be noted that due to the Constitution being a living document there may be requirements for changes within the year. Therefore as well as the annual review, items would continue to be referred to the Committee as these arise;
- (8) It be noted that the Monitoring Officer has delegated authority to make amendments following legislative or other statutory changes and minor procedural and operational changes. Such changes would be reported to the Governance Committee and subsequently the Council, as soon as practicable thereafter.

G66

Code of Conduct Update

On behalf of the Monitoring Officer, the Chief Executive 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.

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

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.

G67

Mayor's Award of Merit Scheme : Awardees 2017/18

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

The Chair highlighted paragraphs 3.7 and 3.8 of the report, stating that this

Committee had previously discussed the possibility of the Task Group merging the Mayor's Awards with the Melton Times' Community Awards. The Task Group had reconsidered this option and due to the high number of award nominees, had agreed that the Mayor's Awards remain as a separately promoted event by the Mayor.

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

RESOLVED that

- (1) the list of proposed awardees as at exempt Appendix A be approved;
- (2) it be noted that presentations would be made by the Mayor to the Awardees at the meeting of Full Council on Wednesday, 25 April;
- (3) the arrangements for presentations to be made by the Mayor to awardees at the meeting of Full Council on Wednesday, 25 April, at the be noted;
- (4) the Mayor's Awards continue as a separately promoted event by the Mayor.

G68

Urgent Business

There was no urgent business.

The meeting closed at: 7.43 pm

Chair

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Minutes

Meeting name	Governance Committee
Date	Monday, 30 April 2018
Start time	5.00 pm
Venue	Parkside, Station Approach, Burton Street, Melton Mowbray LE13 1GH

Present:

Chair Councillor P. Cumbers (Chair)

Councillors J. Simpson (Vice-Chair) T. Beaken
M. Blase P. Chandler
J. Douglas P. Faulkner
A. Freer-Jones J. Illingworth

Observers Councillor M. Graham
Councillor T. Greenow
Councillor J. Orson

Officers Chief Executive
Deputy Chief Executive
Director for Corporate Services
Assistant Director for Strategic Planning and Regulatory Services
Senior Democracy Officer
Administrative Assistant Elections & Member Support

Minute No.	Minute
G69	<p>Apologies for Absence Apologies for absence were received from Councillor Glancy.</p>
G70	<p>Declarations of Interest There were no declarations of interest.</p>
G71	<p>Governance Review The Chief Executive</p> <p>(a) submitted a report (copies of which had previously been circulated to Members) updating this Committee and requesting comments on the work carried out by the Governance Development Group (the Group), which would form the basis of a further report of the Chief Executive to be considered at an Extraordinary meeting of Council and enabling Members to consider and comment on the deferred items from the Constitution Review 2017/18, which were presented to a meeting of this Committee on 27 March 2018;</p> <p>(b) circulated additional copies of Appendices A, B and D of the report, with recent amendments highlighted yellow on the Appendices;</p> <p>(c) provided an overview of the report, including some background to the Governance Review. Following the Local Government Association's Peer Challenge in December 2017, a report, a list of recommendations and an action plan was accepted by Full Council on 22 February 2018. One of the recommendations was to improve the Council's governance and decision making arrangements. The Local Government Association carried out a further review of this function between 12 and 14 March. The remit of the review was to explore where the Council could improve, streamline and clarify its policy development, committee system and decision making arrangements. A peer Member and an officer from the Local Government Association met with Members and officers involved in supporting the decision making processes. They then provided a report, which was submitted to a meeting of this Committee on 27 March. At the meeting this Committee supported the establishment of an informal Member/officer group (the Group) and tasked it with bringing forward proposals to both strengthen and streamline the current committee structure creating a clearer route for policy development;</p> <p>(d) advised that the Group's proposals were submitted to this meeting for Member comment and these would be circulated as an addendum for the Extraordinary Council meeting on 8 May;</p> <p>(e) highlighted the following proposed changes to the committee structure:-</p>

- i. There would be a change to the number of policy committees, to realign them with the new corporate structure and corporate priorities. Corporate Committee, People Committee and Place Committee would replace Policy, Finance and Administration Committee, Community and Social Affairs Committee, Melton Economic and Environmental Affairs Committee and Town Area Committee. Attempts had been made to minimise potential for duplication and create clear scope and responsibility for all matters within the remit of the committees, including policy setting, delivery and performance etc
 - ii. Town Area Committee would be removed. The Local Government Association found that the role of this Committee was not widely understood and created significant overlaps of responsibilities with other committees. This was frustrating for Members. Removing it and incorporating its responsibilities within the other committees would help remove duplication and improve clarity of responsibilities. The aim was to support and work towards the development of a Town and Place Partnership with more stakeholder involvement and a focus on regeneration and tourism. First steps towards this would be the establishment of a steering group, which would include the Chair and Vice Chair of the Place Committee alongside other stakeholders.
 - iii. It had been necessary to review some functions within other committees. This had been particularly relevant to the Governance and Planning Committees and the revised Terms of Reference were set out at Appendix B and C of the report.
- (f) advised that the Local Government Association's Review had also highlighted the role of Members (particularly the Leader and the Committee Chairs) in policy development for this Council. There was no recognised informal policy development route prior to discussion and debate at formal committee meetings. The Group felt it was appropriate to create a Policy Forum (comprising of the Leader, Deputy Leader, Chairs and Vice Chairs of the policy committees) and a Regulatory Forum (comprising of the Leader, Deputy Leader, Chairs and Vice Chairs of the regulatory committees) and as a consequence proposed that the Conservative Chairs Group no longer meet;
- (g) highlighted the proposed removal of Lead Members and Champions on external groups. It was felt that these roles should align with the Chair and Vice Chair of the relevant committees. However, there would be potential to appoint a different Member if there was a business reason to do so
- (h) confirmed that future work of the Development Group would go to Extraordinary Council on 8 May for Members' consideration.
- (i) highlighted that comments on the remaining outstanding items from the Constitution Review 2017/18, as set out at Appendix D would be reported to Extraordinary Council on 8 May.

A Member queried how the role of the Chair of Town and Place Partnership would work and the Chief Executive advised that the Partnership needed broad appeal, with involvement of a wide range of stakeholders to maximise impact. The Council would play a key role through influence, rather than direct control. It was felt that the Chair of the Partnership should be from the private sector, to act as an ambassador for business in Melton, as this would increase credibility regionally and nationally.

Another Member noted that the words 'policy, delivery, performance including complaints were part of the terms of reference of each policy committee. The Chief Executive confirmed that although performance was currently reported to Members via the Performance Management and Information Task Group, the intention was for it to be reported to each committee, with complaints forming part of the report. This would ensure that the relevant committee would not only be responsible for making policy and delivering services but also would receive regular reports on performance within their remit. This would include complaints as this was part of performance feedback. He added that there would still be a periodic check by the Governance to ensure that trends were identified and this Committee would provide an independent check and overview of complaints at least on an annual basis. Also, not only would performance be reported to committees formally but to all Members as well via the soon to be expanded Members' Bulletin.

With regard to the Review of the Constitution, a Member asked if the delegations at Appendix D, item 6, which referred to Melton Economic and Environmental Affairs Committee would realign to the Place Committee. The Chief Executive confirmed that the delegations would realign to the Place Committee as a consequence of Full Council's approval of the governance review. The Monitoring Officer had delegated authority to make minor procedural and operational changes and this type of amendment would be necessary throughout the Constitution where these committee name changes were required.

A Member queried if the Chair of the Community Safety Partnership would be the Chair of the relevant committee and would this follow through for other chairing roles. The Chief Executive advised that to ensure understanding of the people agenda, it would make sense that the Lead for the Community Safety Partnership would be the People Committee Chair. Whilst there was a presumption that the Chairs should take certain roles, the report included an element of discretion, enabling the ruling group to consider practicalities or other issues and confirm their own appointments. The Governance Development Group felt that wherever possible, the default position should be the Chair of the relevant committee, so that they were part of the wider community agenda and were able to develop the overall knowledge within their committee's remit to help inform policy direction. The Leader would consider this as part of the allocation of roles across the Council.

A Member asked what would happen to the work of the Performance Management and Information Task Group. Members had been impressed by the quality of the information received at the Task Group but understood it was not widely shared.

The Chief Executive advised that this Task Group would not be reconstituted. Currently, this Council did not publicise its performance and it should be publicly accountable and transparent in this area. Therefore, the host committees would receive quarterly reports and there would be informal briefings in the Members' Bulletin. Over the last six months, officers had been working on specific scorecards; one for the place and one for the organisation. There would be a member of Senior Management Team present at each Committee meeting to ensure matters relating to performance progress.

Another Member commented that realigning performance to individual committees was a huge positive for this Council. It was a key change as 'visibility brings accountability'.

A Member asked why the Wheels to Work scheme was aligned to the Place Committee rather than the People Committee and the Chief Executive confirmed that this was due to the senior management reporting structure and it was acknowledged that the work straddled both People and Place Committees.

A Member referred to the remit of the Place Committee at Appendix A of the report, querying why 'Licensing resources' had been highlighted. Had it previously been aligned to another Committee? The Chief Executive confirmed that this was for clarification on where the financial and policy areas of licensing were placed.

Another Member noted that there would be less business at future committee meetings and asked how the public would know how Members made their decisions. The Chief Executive advised that committees would deal with all the business within their remit. Members would have the same opportunity to consider matters and make decisions publicly but 'updates' would not be brought to committee meetings. These would be communicated in a different way, as this Council was developing a greater focus on corporate and external communications.

The Chair highlighted the recommendation at 2.2 of the report and invited Members to comment and ask questions. There were no comments or questions forthcoming from Members. Members agreed that the report had been given full and appropriate consideration.

The Chief Executive reminded Members of the Members' Briefing on the governance proposals, to be held on Thursday, 3 May at 5:30pm.

RESOVED that

- (1) this Committee's comments on the work carried out to date by the Group, which will form the basis of a report from the Chief Executive to the Extraordinary meeting of the Council on 8 May 2018, regarding the future governance of this Council be reported to the Extraordinary Council meeting;
- (2) this Committee's comments on an amended Appendix D from the Constitution Review 2017/18, which was previously presented to this Committee on 27 March 2018 and is to form part of the Chief Executive's

	report to the Extraordinary meeting of the Council be reported to the Extraordinary Council Meeting.
G72	Urgent Business There was no urgent business.

The meeting closed at: 5.35 pm

Chair

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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GOVERNANCE COMMITTEE

12th JUNE 2018

REPORT OF HEAD OF INTERNAL AUDIT

INTERNAL AUDIT ANNUAL REPORT 2017/18

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 2017/18.**

3.0 INTERNAL AUDIT OPINION 2017/18

3.1 Based upon the work undertaken by Internal Audit during 2017/18, the Head of Internal Audit's overall opinion on the Council's control environment is that Satisfactory 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 2017/18 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 2017/18 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 the outcome of an assessment of the Internal Audit service against the Public Sector Internal Audit Standards which was completed in April 2018. 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: 24th May 2018

Appendices : A – Internal Audit Annual Report 2017/18

Background Papers: N/A

Reference : N/A



**MELTON BOROUGH COUNCIL
INTERNAL AUDIT ANNUAL REPORT
2017/18**



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 2017/18

2.1 This report provides a summary of the work carried out by the Internal Audit service during 2017/18 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 **Satisfactory Assurance** can be given over the adequacy and effectiveness of the Council's control environment operating for 2017/18. This control environment comprises of the system of internal control, governance arrangements and risk management. The level of assurance remains at a generally consistent level from 2016/17.

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

Of the internal audit assignments delivered during 2017/18, two have resulted in an opinion of less than Satisfactory Assurance. A number of recommendations have been made 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 reasonable overall, with 75% of actions from 2017/18 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 are being suitably addressed.

A summary of Audit Opinions is shown in Table 1:

Table 1 – Summary of Audit Opinions 2017/18:

Area	Substantial	Good	Satisfactory	Limited	No
Financial Systems	-	3	1	-	-
Governance & Counter Fraud	-	2	-	-	-
Service Delivery Risks & Best Value	3	7	10	2	-
Total	3	12	11	2	0
Summary	11%	43%	39%	7%	0%

3. Review of Audit Coverage

Audit Opinion on Individual Audits

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

Table 2 – Assurance Categories:

Level of Assurance	Definition
Substantial	There are minimal control weaknesses that present very low risk to the control environment. The control environment has substantially operated as intended although some minor errors have been detected.

Level of Assurance	Definition
Good	There are minor control weaknesses that present low risk to the control environment. The control environment has largely operated as intended although some errors have been detected.
Satisfactory	There are some control weaknesses that present a medium risk to the control environment. The control environment has mainly operated as intended although errors have been detected.
Limited	There are significant control weaknesses that present a high risk to the control environment. The control environment has not operated as intended. Significant errors have been detected.
No	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment. The control environment has fundamentally broken down and is open to significant error or abuse.

3.2 Audit reports issued in 2017/18, 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 Cyber Security audit, for which the 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 2017/18 and the date of the Committee meeting at which a summary of the report was presented.

Table 3 – Summary of Audit Opinions 2017/18:

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Financial Systems and Controls				
Key Financial System Controls	Good Assurance	Good Assurance	Minor	March 2018
Procurement Compliance	Good Assurance	Satisfactory Assurance	Minor	March 2018

Audit Area	Design of Control Environment	Compliance	Organisational Impact	Committee Date
Governance & Counter Fraud				
Cyber Security	Good Assurance	Good Assurance	Minor	June 2018
Whistleblowing Training	Consultancy			N/A
Service Delivery				
Data Management	Satisfactory Assurance	Satisfactory Assurance	Moderate	September 2017
Safe Driving at Work	Good Assurance	Limited Assurance	Minor	November 2017
Waste Contract Procurement	Substantial Assurance	Good Assurance	Minor	November 2017
Development Control	Limited Assurance	Satisfactory Assurance	Moderate	January 2018
Leisure Vision Phase 1	Satisfactory Assurance	Satisfactory Assurance	Minor	June 2018
Leisure Vision Phase 2 – Embedded Assurance	Good Assurance	Good Assurance	Minor	March 2018
Melton Lottery	Satisfactory Assurance	Satisfactory Assurance	Minor	September 2017
Anti-Social Behaviour and Community Safety	Good Assurance	Good Assurance	Minor	November 2017
Me and My Learning	Good Assurance	Satisfactory Assurance	Minor	June 2018
Housing Repairs	Consultancy			March 2018
Housing Benefits	Satisfactory Assurance	Satisfactory Assurance	Moderate	January 2018
Out of Hours Standby Service	Substantial Assurance	Substantial Assurance	Minor	January 2018

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 2017/18 are provided in Table 4.

Table 4 - Implementation of Audit Recommendations 2017/18:

	Category 'Essential' recommendations	Category 'Important' recommendations	Category 'Standard' recommendations	Total
Agreed and Implemented	2	13	15	30 (56%)
Agreed and not yet due for implementation	1	8	4	13 (25%)
Agreed and due within last 3 months, but not implemented	-	4	2	6 (11%)
Agreed and due over 3 months ago, but not implemented	1	2	1	4 (8%)

TOTAL	4	26	22	53 (100%)
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3.6 In addition to the ten overdue actions from 2017/18 audit reports, a further five actions remain overdue from 2016/17 audit reports. A summary of all overdue recommendations is provided in Table 5:

Table 5 - Summary of Overdue Recommendations as at 31st March 2018

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
Development Control	2017/18						1

Data Management	2017/18			2	3	1	
Safe Driving at Work	2017/18	1			1		1
Staff Training & Development	2016/17			2			
Fixed Assets	2016/17			2			
Financial System Key Controls	2016/17			1			
Totals		1	0	7	4	1	2

3.7 The level of implementation is reported to the Governance Committee throughout the year and monitored by Senior Management Team on a quarterly basis.

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 2017/18 Audit Plan

3.9.1 The Internal Audit team have delivered **100%** of the agreed assignments within the 2017/18 Audit Plan.

3.10 Internal Audit Contribution in Wider Areas

3.10.1 During 2017/18, 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 to test out assumptions and plans.	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

Area of Activity	Benefit to the Council
	and the local economic crime unit.
Counter fraud assessment against the CIPFA Code of Practice and development of a Counter Fraud action plan. This is now subject to quarterly review by the Head of Internal Audit and s151 Officer and six monthly review by the Governance Committee and SMT.	Ensuring counter fraud procedures are robust and subject to continuous review against best practice.
Fraud investigation work which led to the successful conviction of two individuals under the Fraud Act. Provision of subsequent promotion of the outcome to act as a deterrent and promote the culture internally.	Benefiting from access to experienced fraud investigator and relationships established with Leicestershire Police Economic Crime Unit. This enabled an efficient, thorough investigation and ensures that the Council demonstrates a zero tolerance to fraud. Recovery of monies is being sought.
Fraud risk assessment completed as part of the audit planning process.	Ensuring all fraud risks are suitably assessed and proportionate assurances are sought on a regular basis over the effective management of these risks.
Supporting on ad-hoc enquiries and investigations into suspected fraud or malpractice.	Easy and prompt access to experienced investigating officer, enabling such matters to be resolved swiftly and to a professional standard. Good partnership working built with the HR team to support on internal investigations.
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.
Delivering staff briefing session on ethical governance and counter fraud policies and leading on a Fraud Awareness Week.	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 and confidence in whistleblowing procedures.

Area of Activity	Benefit to the Council
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.
Maintaining the Council's fraud log and counter fraud action plan.	Professional support on recording referrals and embedding best practice in counter fraud arrangements.

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 2017/18

Indicator description	Target	Actual
Delivery of the agreed annual Internal Audit Plan, to at least draft report stage, by 31 st March 2018	90%	94%
Final delivery of the agreed annual Internal Audit Plan	100%	100%
Customer Feedback – rating on a scale of 1 to 4 (average) Where: 1 = Poor, 2 = Satisfactory, 3 = Good and 4 = Outstanding	3.2	3.5

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 can be provided on request. 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 2017/18

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
Financial Systems					
Key Financial System Controls	Good	Good	Minor	To provide assurance that sufficiently robust controls are in place, and operating consistently, to ensure that the risks identified are being managed effectively.	<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 focused on key controls relating to creditor payments, housing rents, and council tax and national non-domestic rates (NNDR) discounts, exemptions and reliefs.</p> <p>Audit testing confirmed that controls for the creditors' function are robust and operating effectively in practice. Furthermore, sample testing of key controls in relation to purchase invoices, credit notes, BACS payments, control account reconciliations and aged creditor reviews all confirmed 100% compliance with controls.</p> <p>The Council use the Northgate system to administer housing rents. A review of user access to this system identified that nine leavers had not had their access removed, however this access was reviewed during the audit and has now been revoked.</p> <p>Sufficient processes are in place to ensure that rental properties acquired are added to the rent roll without delay and that properties disposed of are removed from the rent roll promptly. However, it would be best practice to perform an annual reconciliation of the rent roll (Northgate) to legal property records to ensure that rent is being charged for all properties</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>owned by the Council.</p> <p>There are appropriate arrangements in place to ensure that approved rent decreases are applied accurately to all tenancies.</p> <p>The Council has a well-defined process for the recovery of housing rents. Testing confirmed that appropriate action was taken where required and the recovery of debt is reviewed regularly by officers. Income is collected and allocated to accounts in a timely manner and unallocated payments are reviewed daily.</p> <p>Local guidance on the frequency on which council tax and NNDR reliefs, discounts and exemptions should be reviewed and the type(s) of evidence that is accepted for each application is not documented. This can potentially lead in inconsistent application of processes, which could increase the potential risk of fraud.</p>
Procurement	Good	Satisfactory	Minor	Testing of a small sample of goods and services procured across the council for compliance with contract procedure rules.	The Council's Contract Procedure Rules (CPRs) are designed to ensure probity and value for money when procuring goods, works or services that meet the needs of local residents and comply with legal and regulatory requirements. This audit was carried out to provide assurance over compliance with the Council's Contract Procedure Rules to ensure contracts are procured in a fair and transparent manner and achieve value for money.

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>It was reported by Internal Audit last year that contract registers were incomplete and officers agreed to undertake a review within each service area ensuring contracts register is complete and up to date. Based on this year's review there remains uncertainty over the completeness and accuracy of published contract registers.</p> <p>A sample of contracts was reviewed against the Council's Contract Procedure Rules to seek assurance that the CPR's requirements are consistently adhered to by different service areas. Overall, there is good assurance that value for money is being achieved in most cases and the risk of fraud/corruption is being minimised. However, there remains a lack of evidence for compliance with some aspects of CPRs. In particular, recording the receipt and opening of tenders, bidder notifications and making sure the correct procurement thresholds are applied based on the overall value of contract. Also, recording of the evaluation of bids could be strengthened to improve the audit trail. Similar issues were raised in last year's audit but, due to the timing of the work, most of the recommendations, such as staff training and development of new forms, were inevitably not implemented in time to have a significant impact on 2017/18 procurements. Consequently, the recommendations have not been repeated but evidence of improvement will be expected in future audits.</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					It should be noted that the scope of the audit was limited due to evidence and documentation not being provided to Internal Audit in respect of two contracts that had been procured by external agents on behalf of the Council. Given the requirement for officers to ensure that agents acting on the Council's behalf comply with the Council's Procedure rules, Internal Audit would expect that all procurement documentation ought to be readily available.
Governance & Counter Fraud					
Cyber Security	Good	Good	Minor	To provide assurance that the Council is taking proactive steps to address the risks of a cyber-attack – including IT system controls, staff awareness and incident planning.	<p>Cyber attacks pose a serious risk to all organisations and the implications of an attack include disruption to service delivery, significant financial costs and reputational damage. This risk has clearly been recognised by the Council and by the Leicestershire ICT Partnership (LICTP) and a number of measures have been taken in the last twelve months to strengthen the resilience of the ICT networks across the local authority partners.</p> <p>The Council's network benefits from a number of preventative and detective controls including firewalls, anti-virus protection and a consolidated protective monitoring and intrusion detection system which was rolled out in 2017. This new system has complemented the existing systems - which were already monitoring network performance and providing some intrusion detection functionalities - and enabled more robust systems and greater intelligence to be gathered. The use of this software is being further developed over time and the Security Working Group has an action plan to build upon this and continue to</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>develop reporting functionality. This has already resulted in much greater transparency and is enabling focus to be given to areas for improvement.</p> <p>The Council's internal and external networks are subject to penetration testing on an annual basis and remedial plans are developed to address any vulnerabilities identified. Actions arising from these plans are formally monitored.</p> <p>Comprehensive disaster recovery plans are in place, available in a number of locations, and have been subject to recent testing. Responsibilities of SopraSteria, as the provider, and the partners, in relation to maintaining procedures and the knowledge base and exercising control over network access have been clearly documented. Some areas for improvement have been identified in relation to clarifying the procedure for reviewing firewall rules; monitoring privileged user access; and ensuring consistent system administration arrangements.</p> <p>There is potential to deliver training to staff on cyber security to ensure they are alert to the risk and aware of the key behaviours they must maintain to keep the Council's systems and data safe. It is noted that elected Members have received some high level training and are being required to sign acceptance of the protocol on IT security as part of the rollout of Office 365.</p>
Service Delivery & Best Value					
Data Management	Satisfactory	Satisfactory	Moderate	To provide assurance over the Council's procedures and controls to ensure data	The Data Protection Act 1998 (DPA) requires all organisations that handle personal information to comply with a number of important principles regarding privacy and disclosure. Anyone

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
				<p>is held, handled and disposed of in a secure manner and in compliance with the Data Protection Act and any data loss incidents are suitably reported and acted upon.</p>	<p>who processes personal information must comply with eight principles of good information handling. Internal Audit reviewed the Council's procedures and controls to ensure personal data is held and handled in a secure manner and any data loss incidents are suitably reported and acted upon.</p> <p>General Data Protection Regulations (GDPR) will apply in the UK from 25th May 2018. The Council is actively taking steps to implement controls and processes to ensure compliance. An indicative implementation plan has been designed, covering all key areas of the GDPR and regular reviews are taking place.</p> <p>Policies on data protection, data retention and disposal and ICT security are in place and readily available to staff however Internal Audit testing highlighted that compliance with policies is inconsistent and further communication and training is required to remind officers of where policies can be found and the importance of compliance. Online data protection legislation is mandatory for all employees however there was no evidence that 80% of the audit sample had completed the training.</p> <p>Access to paper records are controlled well on and off site, however access to electronic records held on network folders is not routinely reviewed and could potentially put the council at risk of not complying with data protection legislation.</p> <p>Procedures for logging and handling Subject Access Requests (SAR) require improvement. Internal Audit found incomplete and inconsistent records of SARs and SAR information provided to</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>the public on the Council's website could be enhanced.</p> <p>Controls over data breach management and network user access controls are robust and operating effectively.</p>
Safe Driving at Work	Good	Limited	Minor	<p>To review compliance with Council policies in relation to checks on staff who are driving on Council business and claiming mileage (i.e. valid insurance, MOT etc). Compliance testing and consultancy advice on procedures adopted at other authorities to support safe driving at work, as required.</p>	<p>The Council has duties under health and safety law for employees who are driving for Council business. Health and Safety law applies to work activities on the road in the same way as it applies to other work activities and the Council must manage the risks to drivers as part of its health and safety arrangements. Whilst driving for work, the vehicle used would be considered as part of the employee's work environment and, as such, the Council has a duty of care to ensure that it is fit for purpose. If suitable controls are not exercised to deliver this duty of care, the Council is at risk, in the event of a serious incident involving an employee driving at work, of prosecution, including for corporate manslaughter in the case of a fatality.</p> <p>The Health and Safety Executive advises organisations to assess the risks from work-related road safety. The Council has a Driving at Work policy which sets out its approach towards ensuring the safe driving of employees whilst at work. The requirements under the health and safety legislation for on-the-road work activities are well covered in the Council's current Driving at Work policy.</p> <p>The Council must ensure that the appropriate training for work-related road safety is available to all staff to equip them to</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>recognise risks and provide practical advice on preventing and managing occupational road risks. A Driving Safety at Work online module is available on the Council's e-learning system, MIKE. However, in sample testing there was no evidence that 92% of the selected relevant employees/Members, had completed the training.</p> <p>The Driving at Work Policy requires line managers to make annual checks of insurance, licence and MOT where applicable and to only approve employees' Travel Claim Forms when satisfied a valid Driver Declaration Form is held for this individual, submitted within the last 12 months, and all checks are up to date. However, the samples tested across all service areas and elected Members did not demonstrate consistent compliance with this policy. Of the 37 individuals selected, 27% had not been subject to any evidenced insurance, MOT or driver license checks in the last 12 months (this included three of the top ten highest mileage claimers from the last year). It was noted that 100% of Central Services staff had completed all the relevant checks and had signed Driver Declarations forms but no other services had consistently complied with the policy. As such, overall only 22% of the cases reviewed fully complied with the Driving at Work policy requirements and mileage claims have been paid to officers and Members who have not been subject to all relevant checks and completed declarations.</p>
Waste Contract	Substantial	Good	Minor	To provide assurance that adequate controls exist to	Effective waste management and street cleaning supports the Council's key priority of delivering well respected and value for

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
Procurement				<p>ensure that the project is suitably managed and risks are appropriately identified and mitigated.</p>	<p>money customer focused services with pride and efficiency. The Council's current contract with Biffa Municipal has been in place since 2003 and was due to end on 31st March 2017. The contract was extended to 30th September 2018 to provide sufficient time to explore a range of options for future service delivery.</p> <p>The project to consider options for the future provision of waste and street cleaning services was initiated in August 2014. Following completion of an initial exercise to assess market interest the formal procurement process commenced in March 2017 using the competitive dialogue approach. It was agreed that Internal Audit would carry out an 'embedded assurance' review of the project to assess progress and governance arrangements at key stages in its life cycle and provide reports at the appropriate time. The first stage review was conducted in summer 2017 and the draft report issued in September 2017 (finalised November 2017).</p> <p>Internal Audit's stage one report concluded that the project was being well managed and made just two recommendations for improvement. Both recommendations have been implemented and overall governance arrangements remain sound. There has been some minor slippage in the timetable but this has been managed effectively to ensure no impact on the proposed contract start date. Evaluation of final bids has recently been completed and savings targets are expected to be achieved or exceeded. Authority is being sought from Melton Economic and Environmental Affairs Committee (MEEA) and Full Council to award preferred bidder status, with final contract optimisation arrangements delegated to the Chief Executive and Leader of the</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>Council.</p> <p>As previously reported, the project management budget for consultancy support has significantly exceeded initial estimates primarily due to a greater than expected market interest leading to more work to support additional rounds of dialogue, assessment, evaluation and moderation. Consequently, MEEA have agreed to recommend Council approval of a supplementary estimate of £99k, increasing the project budget to £159k. Officers are confident that the revised budget will be sufficient to see the project through to completion.</p>
Development Control	Limited	Satisfactory	Moderate	<p>To provide assurance over compliance with statutory requirements, regulations and best practice, timely collection of fee income and that planning applications are suitably processed and evaluated. Not subject to recent independent review.</p>	<p>Development control is the process through which the Council manages changes in the use and appearance of the local environment and delivers the development and infrastructure the Borough requires. It operates within a complex legal and regulatory framework and is required to deliver outcomes to a range of stakeholders with differing priorities and expectations. Poor decisions can have long-term consequences and significant financial implications.</p> <p>The development control team has undergone considerable change and turnover of staff in the last 12-18 months. This has stabilised recently but the loss of valuable experience and local knowledge will inevitably impact on operational efficiency. A report by the Planning Advisory Service in December 2016 identified several inefficiencies and made a number of recommendations for improvement. Progress has been made but has been slow because of the budget setting timetables on which some of the proposed measures depended and staffing</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
	Design	Compliance	Org Impact		
					<p>changes, particularly the corporate decision not to replace the manager with direct and dedicated responsibility for the service area. Steps are now being taken to improve and streamline processes wherever possible and this is starting to bear fruit. However, there remains considerable scope to improve the speed and efficiency of validation and administrative processes through greater automation and removal of unnecessary manual tasks.</p> <p>Arrangements for the collection of fees are sound and sample testing confirmed that the correct fee had been calculated and received in all cases.</p> <p>Performance against national targets for speed of decisions shows an improving trend but remains below the national average for all except major applications. Moreover, the basis for collection and recording of statistics does not comply with government guidance meaning that reported performance is likely to be over-stated. Formal monitoring and reporting of quality focuses largely on the review of appeal decisions, although agent forums have recently been reinstated and plans are in place for periodic tours of the borough to reflect on the outcome of decisions. Performance reporting to the planning committee has slipped, however, and there is scope to develop a broader range of quality indicators going forward.</p>
Leisure Vision Phase 1	Satisfactory	Satisfactory	Minor	To provide assurance over the completion of the Phase 1 project – including compliance with key	In April 2015, the Policy, Finance and Administration Committee approved the initiation of phase 1 of the Melton Leisure Vision Project and the allocation of a £90,000 budget for delivery of the improvements required. This budget was subsequently increased to £140,000 with monies from the Football

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
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				<p>project controls. Assurance sought by Governance Committee.</p>	<p>Foundation. The objective of phase 1 was to enable the Melton Mowbray Football Club to be based at the King Edward Site and to do so a number of Football Association requirements needed to be satisfied.</p> <p>In 2016/17, an overspend against the initial capital budget was reported and a consultancy review was undertaken by Internal Audit in the reasons for the financial variances and highlighted a number of areas of weakness in the Council's project management. This 2017/18 review was designed to provide assurance over the successful closure of the phase 1 project and implementation of the lessons learnt from the 2016 review.</p> <p>A closure report has been produced for the project and this reflects upon what went well on the project and where lessons should be learnt. The project has now transferred smoothly to business as usual and the leisure facilities are in use and at the required standard to enable the football club to meet the level 6 specification.</p> <p>Following the last audit review, the monitoring of financial expenditure was strengthened and the Finance team supported on accurate monitoring of commitments and funding requirements. It was confirmed that additional expenditure was required on lighting and seating to fully meet the level 6 requirements. It was intended that additional funding would be sought from the Football Association to support £45k of this estimated additional £60k spend. The then Chief Executive approved this additional expenditure in September 2016, at which point there was an assumption that Football Association</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
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					grant monies could be applied for, but this had not been confirmed as certain. The risk of the funding not being received was recognized within the ongoing project management and specifically highlighted in an update on capital funding at a meeting of the Policy, Finance and Administration (PFA) Committee in April 2017. Ultimately, it has now been confirmed that it is not possible to obtain grant funding and the full spend has been charged to the Council's capital Leisure Vision budget, albeit some saving has been achieved on the estimated costs. This has been transparently reported and recognised in financial update reports.
Leisure Vision Phase 2 – Embedded Assurance	Good	Good	Minor	To provide assurance throughout the Phase 2 project on compliance with key controls and good practice and ensuring value for money is achieved through procurement exercises. Assurance sought by Governance Committee.	In 2017, the Council commenced work on Phase 2 of the Leisure Vision project. This phase of the project was established to secure the ongoing operation of the Melton Sports and Leisure Village and potential future development involving the design, build, operation and maintenance of leisure facilities including a community stadium. A comprehensive competitive dialogue process was undertaken by the Council, engaging a number of potential operators and exploring options for future development of the facilities. Given the predicted value of the contract and the application of competitive dialogue, it is of assurance that procurement and finance professionals have been engaged in key stages. The Invitation to Submit Detailed Solutions (ISDS) stage highlighted a number of future opportunities but also concerns from all bidders regarding the affordability of the new development in the current environment (i.e. competition, infrastructure) and, as such, it has been proposed that no further development be

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
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					<p>planned at this point. An informed decision has therefore be made that the wider, procurement process for a Design, Build, Operation and Maintenance (DBOM) contract should no longer progress at this point and will be deferred for longer term planning and development. A contract for the ongoing management of the facilities had been an option in the procurement process, for which bids were invited, and a recommendation has been approved by Full Council for the award of this contract, which should generate savings for the authority.</p> <p>The project's governance and decision making arrangements were clearly established at the outset and evidence provided demonstrates compliance with these during the project to date. Risk identification at the initiation stage was comprehensive and well documented and project highlight reports have been provided detailing progress and matters arising. Some areas for improvement in relation to ongoing recorded risk management have been discussed with management.</p>
Melton Lottery	Satisfactory	Satisfactory	Minor	To provide assurance over the management of the lottery, as this is a new area for the Council supporting local organisations. To ensure suitable controls are in place and being exercised to manage risks involved in	<p>The Council established a local community lottery in November 2016 to support the voluntary and community sector and help to ease the financial strains on the Council. The lottery is operated by an external management company although the Council controls the process for approving participating community organisations. Strong controls are essential to ensure value for money and to minimise the risk of fraud and corruption.</p> <p>The Council has established formal terms and conditions setting</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
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				this initiative.	<p>out the eligibility criteria for organisations to participate in the lottery. Testing of a sample of applications confirmed that evidence was available to support the decision to reject or approve the organisations in most cases. However, documentation and record keeping could be improved to ensure there is a full audit trail of the application and decision making process. There is an intention to periodically review all participating organisations, although the details have not yet been formalised.</p> <p>Appropriate arrangements are in place to review and approve the payment of lottery proceeds, although at the time of audit no VAT invoices have been received from the lottery company for their management fee. Consequently, although the sums are relatively small at this stage, the Council's financial records are likely to be misstated and VAT cannot be reclaimed.</p>
Anti-Social Behaviour and Community Safety	Good	Good	Minor	<p>To provide assurance over the effective management of this key risk for the Council, including monitoring, partnership working and initiatives. Also highlighted on Audit Plans at other sites in the partnership – opportunity for joint review to share good practice.</p>	<p>Melton Borough Council has an Anti-Social Behavior Officer who works in partnership with other agencies to reduce crime and anti-social behaviour (ASB) and improve the quality of life for all in Melton Borough. Internal Audit sought to provide assurance over the effective management of this key risk for the Council, including monitoring, partnership working and initiatives.</p> <p>The Council engages with the community well and demonstrates effective joint working with other agencies to tackle and reduce anti-social behaviour. The Melton Community Safety Partnership Plan 2017-2020 outlines the strategic approach the partnership takes to address areas of concern. Priorities are identified and</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
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					<p>supported by action plans which outline appropriate initiatives, timescales, lead organisations and measures of success.</p> <p>Clear, comprehensive guidelines on how ASB complaints (including the community trigger process) are handled and processed are documented, however these procedures have not been made available to the public, along with up to date Community Safety Plans.</p> <p>Internal Audit reviewed a sample of 25 ASB complaints received since June 2016 and found all complaints were acknowledged and responded to in a timely manner and action was taken where required. Furthermore, 100% of the sample was accurately recorded on the Council's case management system (Sentinel).</p> <p>A performance management framework is in place for monitoring the Council's corporate objective of tackling the root causes of offending to create safer communities; however performance indicator results relating to the reduction of ASB reports had not been recorded for 2016/17.</p>
Me and My Learning	Good	Satisfactory	Minor	To provide assurance over the effective management of the service including case management, referrals, monitoring and	Me and My Learning (MAML) provides support to enable individuals to become independent and, wherever possible, move into sustainable employment. It brings partner organisations together to provide joined-up support to increase the chances of a successful outcome. The service has been operational since 2014/15 and was fully grant funded for the first

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
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				<p>benefits realisation.</p> <p>Significantly increased HRA contribution and revised structure, and effective delivery supports Council's People objectives.</p>	<p>two years. In April 2016 grant funding ceased and in 2017/18 the net service cost per the budget book is £254,160 - financed 30% from the HRA and 70% from General Fund (Council Tax). Management is seeking assurances that the service provides value for money and is delivering the expected outcomes.</p> <p>Case management arrangements are generally sound. All referrals are assessed in a clear and structured way and allocated to one of a small team of Mentors with a good mix of skills and experience to support service users effectively. Closer working with the Customer Services Team is being developed to increase capacity and resilience and there are good working relationships and information sharing with partner organisations. Management and supervision arrangements are robust with regular caseload reviews, audits and mentor observations. Most cases are recorded and managed using an electronic case management system and sample testing confirmed that there was a clear record of the services provided which are directly linked to the original assessment and provide a good picture of the service user's 'journey' towards independence. However, only a minority of cases are recorded on the Council's own case management system, the majority being recorded and managed under contracts for services commissioned by other organisations. Consequently, there are inevitably differences in the way that services are delivered and managed and there is scope to improve the clarity of actions and outcomes in some cases.</p> <p>Corporately, the Council does not prepare individual service plans. Whilst this issue is not unique to the Me and My Learning Service, it does make it more difficult to demonstrate a clear link</p>

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					<p>between service objectives and corporate priorities. However, Internal Audit is aware that a corporate re-prioritisation exercise is planned for 2018/19 in response to the recent Peer Review which should provide an opportunity to clarify the link between individual services and overall corporate aims and objectives. There are a range of service performance indicators that provide a reasonable overview of performance and outcomes. However, there are currently no performance indicators to demonstrate the services' direct impact on Council finances (e.g. reductions in arrears) and other evidence of value for money is largely anecdotal or based on individual case studies and broad economic assessments related to the public sector as a whole.</p>
Housing Benefits	Satisfactory	Satisfactory	Minor	<p>To provide support and assurance over the housing benefits quality assurance processes for new and changed claims in light of ongoing benefits subsidy qualifications.</p>	<p>The Council spends approximately £9 million per annum on Housing Benefits; the bulk of which is reclaimed in government grant through the Housing Benefit Subsidy Claim. Given the large sums of money involved and potential impact on its financial standing, it is important that the Council has robust and effective controls to minimise the risk of fraud and error. In common with other Councils, Melton's subsidy claim has been qualified by the external auditor in recent years due to processing errors and incorrect classification of overpayments.</p> <p>Internal Audit found that the Council has clear and comprehensive process maps and procedure notes for most core functions, including guidance on evidence requirements and assessment of claims. Testing confirmed that system parameters have been accurately updated, although last year's audit recommendation to retain evidence of the update and checking of parameters has not yet been implemented. Arrangements for</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
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					<p>the verification and accurate assessment of claims are generally robust and there is an appropriate separation of duties for preparation and approval of rent allowance payments. However, monthly reconciliations are not being carried out to ensure that all transactions are fully and accurately reflected in the housing rents, council tax and main accounting systems. This control lapsed following the departure of the former Benefits Team Leader.</p> <p>The level of outstanding overpayments is relatively high compared to other councils and recovery arrangements are not fully developed. Insufficient priority and resources have been allocated to recovery of outstanding sundry debtor accounts and there are a large number of overpayments in the benefits system related to inactive cases where the debt is not being pursued. Temporary resources have been allocated to review, write-off or recover these balances where possible, although longer-term arrangements are yet to be established.</p> <p>Quality control arrangements are operating effectively although overall levels of errors detected have increased this year and there remain some recurring themes (e.g. assessing earned income). Appropriate training and development arrangements are in place to address these issues but the lack of specialisation in benefit assessment is likely to increase the risk of errors and inconsistency.</p>
Out of Hours Standby Service	Substantial	Substantial	Minor	Given the functions of the Council, services may need to be delivered outside normal office hours to	Melton Borough Council (MBC) has a contract with Harborough District Council (HDC) to manage sheltered housing life line calls. The Council's out of hours service was incorporated into this service on 1 st December 2015. Prior to this, the service was

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
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				<p>carry out statutory duties or respond to emergency situations. To provide assurance over the new systems introduced in 2015/16.</p>	<p>managed by five MBC members of staff. Internal Audit reviewed the service to provide assurance that it is operating efficiently and effectively.</p> <p>The Council's out of hours service is operating well and roles and responsibilities have been clearly defined in the contract. Both parties are aware of their duties and MBC informs the control centre of any procedural changes so that guidance is updated accordingly, as well as having regular informal reviews to discuss performance.</p> <p>Calls are being handled appropriately and timely by the control centre. All 20 calls reviewed by Internal Audit were dealt with in accordance with Council procedure and the appropriate person or team was notified in each case. However testing highlighted that two (10%) calls in the sample were taken during normal office hours and neither party knew why or how this happened. The Council is invoiced based on the number of calls received therefore additional costs may be incurred.</p> <p>The control centre provides quarterly reports outlining the number and type of calls received on a monthly basis, allowing MBC staff to identify and address possible trends.</p> <p>The Council has achieved a saving of approximately £12,800 per annum based on 2016/17 costs, however a review of paid invoices highlighted that five of eight invoices received do not agree to the charges outlined in the contract, resulting in the</p>

Audit Assignment	Assurance Rating			Area Reviewed	Basis for Assurance Opinion
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					Council being undercharged by £1,071.41.

GOVERNANCE COMMITTEE

12th June 2018

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 annual 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 Council's Internal Audit service has been formally delegated to LGSS. As such, at that point the Head of Internal Audit reviewed the Internal Audit Charter and Strategy, and updated this to reflect best practice and the standard approach adopted across the LGSS client base. This was formally approved by the Committee in June 2017.

- 3.3 The Committee should note that no significant amendments to the Charter are proposed for 2018/19. The only amendment included in the attached version is to revert back to the previous classification of audit recommendations of 'High', 'Medium' and 'Low' rather than 'Essential', 'Important' and 'Standard'. This is based on feedback received from officers and Members across the Partnership that the former descriptions are more meaningful and assist in distinguishing the key actions for prioritisation.

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: 24/05/2018

Appendices : A – Internal Audit Charter & Strategy

Background Papers: N/A

Reference : N/A

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— facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and 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—

conduct a review of the effectiveness of the system of internal control required by regulation 3; and 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 Governance 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 Strategic 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 - including 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.
- 5.2. Annex A illustrates the Planning cycle and the processes through which individual assignments are undertaken, reports issued and opinions given.

- 5.3. 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.
- 5.4. 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.
- 5.5. 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
- 5.6. Internal Audit may procure external audit resource to enhance the service provision as necessary.
- 5.7. 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 though all work undertaken by Internal Audit during the year.
- 5.8. 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.

5.9. 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
- Sharing learning with the wider organisation with a view to encouraging best practice across the Council.

5.10. 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
- Identify individuals responsible for implementing agreed actions

5.11. Senior Management shall ensure that agreed corrective actions are introduced.

5.12. 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.

5.13. 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):

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

5.14. Actions / Recommendations - Actions are categorised dependent on the risk as follows:

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

5.15. Follow ups -All High and Medium 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

5.16. 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.

5.17. 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

5.18. 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

5.19. 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 Governance Committee.

5.20. 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. ANTI-FRAUD and ASSOCIATED ISSUES

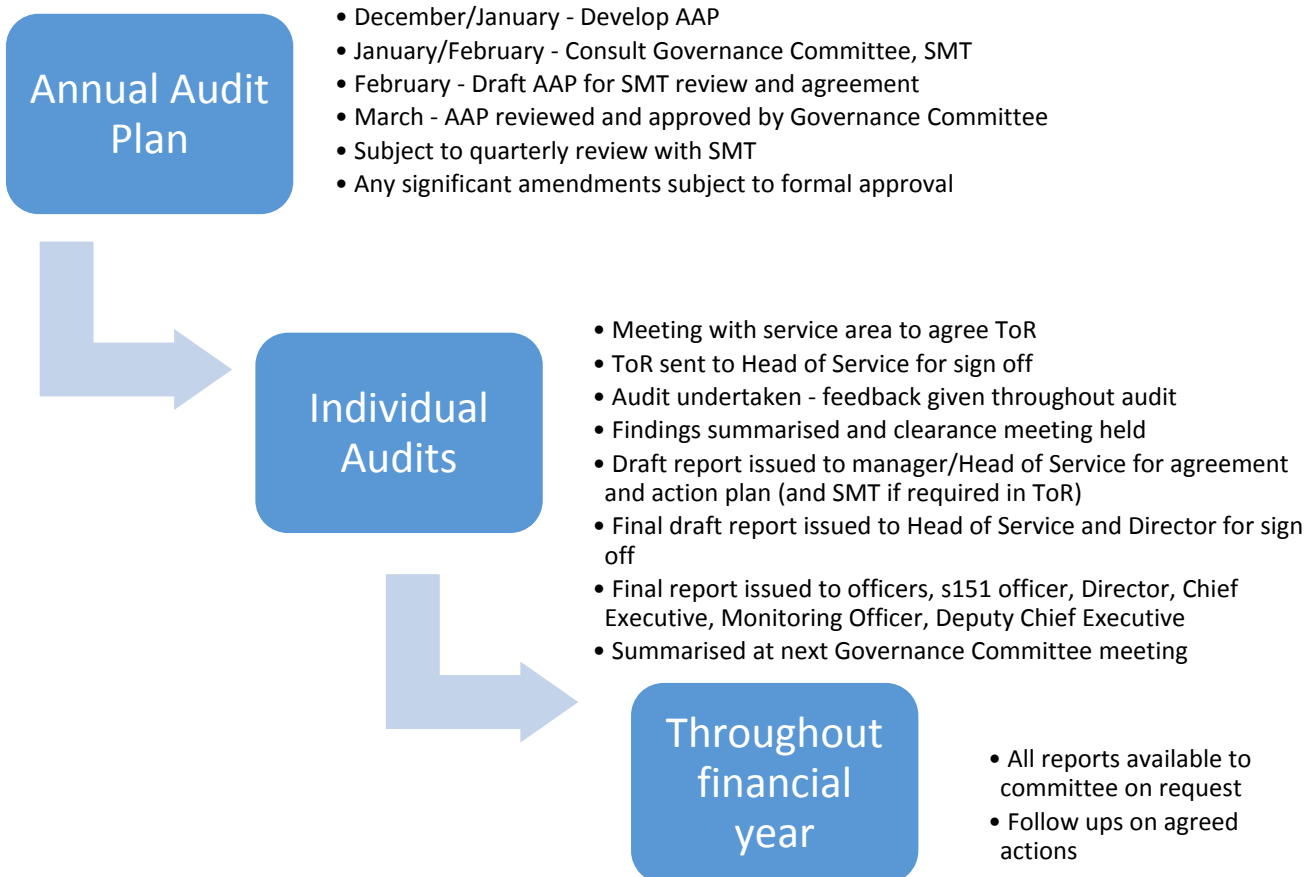
6.1. The Chief Internal Auditor will ensure that all work is undertaken and all staff are conversant with the Council's Anti-Fraud policies and culture, including:

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

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

Annex A

AUDIT PLANNING & DELIVERY PROCESSES



Annex B

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 and the Chair and Vice Chair of the Governance Committee. 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 Corporate Management Team, the Governance committee and relevant stakeholders to inform the Annual Governance Statement and Accounts.

GOVERNANCE COMMITTEE

12th JUNE 2018

REPORT OF HEAD OF INTERNAL AUDIT

COUNTER FRAUD ACTION PLAN & FRAUD LOG

1.0 PURPOSE OF REPORT

- 1.1 To update Members on the implementation and latest status of the Counter Fraud Action Plan and to report upon any frauds alleged and investigated during 2017/18.

2.0 RECOMMENDATIONS

- 2.1 **That Members note the status of the Counter Fraud Action Plan and the Fraud Log for 2017/18.**

3.0 ACTION PLAN

- 3.1 When the Council's Counter and Corruption Policy and Fraud Response Plan were updated in 2016/17 it was recommended by Internal Audit that a separate action plan be developed and maintained outside of these policy documents. This action plan should ensure that the counter fraud arrangements are constantly monitored and strengthened in line with latest trends and developments and that best practice is adopted wherever possible.

- 3.2 An action plan was developed which incorporated all areas for possible improvement identified in the assessment against the CIPFA Code of Practice (completed in 2017) and any other areas already identified by management and/or Internal Audit. A copy of the latest copy of this Plan is provided in Appendix A to this report. All actions have an allocated owner and timescale for implementation. Progress against this plan is monitored by Internal Audit on a quarterly basis.

- 3.3 The majority of actions from the last update have been completed. One new action has been proposed for delivery during the new financial year, in order to continue to strengthen and embed the counter fraud controls, and further actions will be considered in the next few months. These will continue to be monitored during the financial year.

4.0 FRAUD LOG

- 4.1 The Head of Internal Audit maintains a Fraud Log which records all suspected frauds reported to the Internal Audit and notes the action taken and outcomes. This is presented to the Committee at the end of each financial year for information. A copy is provided in Appendix B.

- 4.2 In addition, during 2017/18 the Council has received the outcome of the Crown Court case arising from a fraud investigation completed by Internal Audit in 2016/17. This fraud did not occur during 2017/18 but is included in the Fraud Log in order to provide details of the outcome achieved.

- 4.3 During the 2017/18 financial year, Internal Audit has also delivered pro-active staff briefings on the Whistleblowing policy and ethical governance. Daily emails were also sent during International Fraud Awareness Week to promote awareness of fraud risks and give examples of real life key counter fraud controls and scenarios.

5.0 POLICY AND CORPORATE IMPLICATIONS

5.1 The report allows the Committee to obtain independent assurance about 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 assessment against best practice standards and the development of an action plan should assist the Council in proactively managing its exposure to the risk of fraud and corruption.

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: 23/05/2018

Appendices : A – Counter Fraud Action Plan
B – Fraud Log 2017/18

Background Papers: N/A

Reference : N/A

Counter Fraud Strategy Action Plan
as at May 2018

Action	Objective	Lead Officer(s)	Timeframe for implementation	Update (subject to quarterly review)
A01: To incorporate a specific, annual, documented assessment of fraud risks in the annual Audit Planning process.	To ensure the Council remains aware of its fraud risks and seeks proportionate assurance over the management of these risks.	Head of Internal Audit and Director for Corporate Services	31 st January 2018	Completed as part of Audit Planning process. Various audits included in the Audit Plan for 2018/19 as a result.
A02: To review the Council's communications strategy following fraud investigations (both corporate and benefits).	To ensure the Council utilises this opportunity to act as a deterrent and to promote the Council's fraud strategy. To ensure the harm caused by frauds is clearly communicated.	Communications Manager	31 st March 2018	Completed. Internal and external communications issued following recent court outcome.
A03: To raise awareness of the Leicester City fraud partnership arrangement and ensure Council staff are making suitable referrals and utilising this source of advice and guidance. To arrange a session with relevant staff (customer services/housing) and invite Leicester City representative to discuss the arrangements with these officers.	To maximise use of fraud resources and benefit from joint working.	Revenue Business Partner	31 st December 2017	Ongoing.
A04: To include consideration of fraud risks in the planned review of the Council's corporate risk management strategy (can be informed by	To ensure management of fraud risks is embedded corporately.	Director for Corporate Services	September 2018	Completed. Included in the Corporate Services

Action	Objective	Lead Officer(s)	Timeframe for implementation	Update (subject to quarterly review)
A01 above).				risk register and at higher level in corporate risk register.
A05: To specifically include assessment of counter fraud and corruption controls in the next AGS (informed by work of Internal Audit and annual assessment) and to reflect the outcomes of this assessment.	To demonstrate the robust arrangement in place at the Council to detect, prevent and investigate fraud.	Director for Corporate Services	June 2018	Completed – AGS includes summary of counter fraud developments in year and risk assessments.
A06: To update online counter fraud training module on the new portal. New action added May 2018].	To embed staff awareness and ensure every officer completes a fraud awareness training session.	Head of Internal Audit / HR	September 2018	

Table 1: Fraud Log 2017/18

Date	Referred by	Details	Outcome
January 2018	Central Services	Investigation into high travel expense claims made by a Council officer. These were tested for reasonableness and compliance with Council policy and the Head of Internal Audit was appointed as lead investigating officer.	Internal disciplinary investigation. Internal Audit review of travel expense claims scheduled for 2018/19 to ensure consistent compliance with the policies in this area.
2016/17	<i>Update on outcome of previously reported case (see 2016/17 Fraud Log)</i>	Whistleblowing allegation of relationship between contract manager and contractor – for cleaning services in housing properties.	Crown Court hearing in February 2018 resulted in two guilty pleas from the two individuals involved – a former Council officer and his wife. Both were convicted under the Fraud Act 2006. <u>Sentencing:</u> Former Council officer: 20 months imprisonment Former Council officer’s wife: 14 months suspended Proceeds of Crime hearing scheduled for 30 th July 2018.

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GOVERNANCE COMMITTEE

12th JUNE 2018

REPORT OF DIRECTOR FOR CORPORATE SERVICES

ANNUAL REVIEW OF RISK MANAGEMENT

1.0 PURPOSE OF REPORT

- 1.1 To update Members on the management of risk within the Council during 2017/18.
- 1.2 To present an updated risk management policy and strategy for Members approval.

2.0 RECOMMENDATIONS

- 2.1 **It is recommended that the updated risk management policy and strategy attached as Appendix A be approved.**
- 2.2 **That the updated corporate risk register and associated risk management action plan, as attached at Appendix B be approved.**

3.0 KEY ISSUES

- 3.1 The previous risk management policy and strategy was implemented in 2015 and covered the period to 2018 and as such was due to be reviewed. In addition with the number of changes that have and continue to take place within the Council in the last twelve months including changes in leadership and the review of the governance structure it was considered that a review of the risk management policy and associated procedures was timely. This intention was reported to this committee when the last annual report was presented in September 2017.
- 3.2 Support for the review was provided by the Council's insurance provider ZM who also supply training and consultancy support days relating to Risk Management as part of the insurance contract. This provides an opportunity to review the risks facing the council with the benefit of external challenge.
- 3.3 The resulting updated risk Management Policy and Strategy recommended for approval is attached as Appendix A. The key changes that have been made over the previous policy and strategy are as follows:
 - Titles and responsibilities have been changed to reflect changes to the officer structure following the realignment;
 - The previous 3 stage process has become four stages recognising the important step of monitoring risks.
- 3.4 As well as updating the strategy the review resulted in updated templates for both the corporate risk register and service risk register. These are much more streamlined and easy to use and as a result provide greater clarity over the responsibility for risks and also the actions that are required to be taken to mitigate

these. Those high level risks where ownership is at a director level are recorded, managed and monitored through the Strategic Risk Register. Below this each directorate has a service risk register which is owned by the Third Tier Managers.

3.5 A copy of the Strategic Risk Register is attached as Appendix B. This consists of a Risk Matrix which plots the risks being managed at this level along with the actual register itself which includes the current and target risk score, along with further details for each risk such as potential consequences, the controls in place and any action required. Members will note there are currently 8 risks being monitored at this level. This compares to 4 when the annual report was presented in September 2017 to this committee. For comparison the previous 4 risks are listed below.

- Local Plan – Delivering growth and sustainable development
- Achieving a balanced budget as a result of government funding cuts and non achievement of the efficiency plan and growth estimates without resulting in significant cuts in service provision
- Roll out and impact of welfare reforms (UC) increases issues for vulnerable people and impacts on key revenue streams
- Challenge of cultural issues which could undermine our ability to change the Council to deliver required savings, generate income, become more efficient and manage supply and demand.

It can be seen that for some of the risks the focus has merely changed over time and also the external challenge afforded by the review has brought some other risks to the fore in terms of strategic focus.

3.6 Senior Management Team have a timetabled programme of review in place to monitor and manage the strategic risks with oversight of service level risks being undertaken at a directorate level. Members can request copies of the service risk registers should they wish to have details of the risks recognised and being monitored at this level.

4.0 **POLICY AND CORPORATE IMPLICATIONS**

4.1 As stated in the introduction to the policy, risk management has never been more important given the many challenges that face Local Government currently this strategy is not about preventing all risks, but about understanding the risks we are taking. The risk strategy sets out in a practical manner how this Council is going to ensure that we can make risk management work for us. Risk identification and management is a process that should produce benefit for the council as it seeks to achieve its objectives.

5.0 **FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

5.1 There are financial implications from poor Risk Management however, with robust procedures these should be minimised or eradicated.

6.0 **LEGAL IMPLICATIONS/POWERS**

6.1 Failure to adequately address Legal issues arising from any activity of the Council increases risk. Officers endeavour to ensure Members are adequately advised and projects properly implemented to ensure that Legal requirements are met.

7.0 **COMMUNITY SAFETY**

7.1 There are no particular implications arising from this report.

8.0 **EQUALITIES**

8.1 There are no particular equalities issues arising as a result of this report.

9.0 **RISKS**

9.1 There are all dealt with within the report.

10.0 **CLIMATE CHANGE**

10.1 There are no particular implications arising from this report.

11.0 **CONSULTATION**

11.1 Members of this committee have been offered training prior to this meeting in order to understand more about risk management in general as well as the council's process in order to allow for robust scrutiny and consideration of this report.

12.0 **WARDS AFFECTED**

12.1 All

Contact Officer Dawn Garton
Date: 1.6.18

Appendices : A Risk Management Policy and Strategy
 B Corporate Risk Register

Background Papers:

Reference : X:\Cttee, Council & Sub Cttees\Governance\201819\120618

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Taking risks responsibly

Our approach to managing risk

1. FORWARD

1.1 It is a fact of life that we face risks in all activities across the Council. This strategy is not about preventing all risks, but about understanding the risks we are taking. Risk management has never been more important given the many challenges that face Local Government currently e.g. austerity, cuts to services to fit government funding, new business models, investing to grow, commercialisation.

1.2 One interesting change over the past few years is the extent to which the public sector rely on other organisations to achieve our corporate goals. To this end, good risk management is not just about our own organisation but ensuring that our partners and other key organisations also have in place robust risk management processes.

1.3 This risk strategy sets out in a practical manner how this Council is going to ensure that we can make risk management work for us. Risk identification and management is a process that should produce benefit for the council as it seeks to achieve its objectives. Effective risk management I am convinced will allow us to:

- have increased confidence in achieving our priorities and our outcomes
- constrain threats to acceptable levels
- take informed decisions about exploiting opportunities
- ensure that we get the right balance between rewards and risks
- improve our partnership working arrangements and corporate governance

1.4 As well as this risk policy and strategy

- There is help and support available if required through the Director for Corporate Services and/or Corporate Service Manager.
- There is a two page risk management aide toolkit to accompany this strategy

1.5 In Melton Borough Council risk management is about improving our ability to deliver our strategic objectives by managing our threats, enhancing our opportunities and creating an environment that adds value to ongoing operational activities.

1.6 I am committed to the effective management of risk at all levels of this Council. This strategy is an important part of ensuring that effective risk management takes place.

Edd de Coverly
Chief Executive

2. WHAT IS RISK MANAGEMENT?

- 2.1 The purpose of this document is to define the Council's Strategy for Risk Management in the future.

This document is complemented by a short risk management toolkit which is an enabler for undertaking risk management.

- 2.2 Risk can be defined as follows:

“**Risk** is the threat that an event or action will adversely affect an organisation’s ability to achieve its objectives and to successfully execute its strategies. “

“**Risk management** is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance.”

- 2.3 Risk management should be a continuous process. Risk management is not a perfect tool as it seeks to examine potential events.

As with any process there needs to be clear benefits and success measures. The key measures of success for managers are

- **Consensus** – there is one view of the main risks at a corporate and service level within the organisation
- **Confidence** – we understand the risk mitigation measures being taken and have confidence in these at a corporate and service level
- **Communication** – all employees have the chance to raise risk issues for consideration

- 2.3 Some further benefits that result from successful risk management include:

- Key risks and mitigation measures are clearly identified
- Increased focus on what needs to be done to meet our objectives
- Improved financial performance and human resources management
- Improved corporate governance and compliance systems
- Better management of change
- Fewer complaints
- Protection of the council’s reputation
- Improved insurance management

Risks must be managed but not avoided to the extent that flair and innovation is choked.

3. ROLES AND RESPONSIBILITIES

3.1 The success of our ability to manage risk requires clear accountabilities to be set throughout the organisation. The table below shows the clear roles and responsibilities within Melton Borough Council.

<p>Governance Committee</p>	<ul style="list-style-type: none"> • To oversee the effective management of risk by the Council by agreeing the overall policy and strategy and monitoring its implementation. This will be discharged by appointing a Member Champion for risk management and receiving briefings from senior management. • To positively challenge the Senior Management Team to ensure the risk assessment and mitigation plans are robust. • To receive an annual report from the Senior Management Team on the status of risk management.
<p>Senior Management Team</p>	<ul style="list-style-type: none"> • Maintain the Corporate Risk Register and mitigation actions. • To understand and implement the Council's Risk Management Policy and Strategy. • To encourage active participation towards risk management by those at all levels. • To review key service risks and the mitigation actions. • To ensure a corporate approach is taken to preventing losses and damage to the Council's property, assets and staff due to accidents, crime or negligence is pursued. • To provide risk updates on the corporate risk register and service risks to members as appropriate. • To produce, as a minimum, an annual report to Members on risk management activity. • To organise training and promote awareness amongst those involved in controlling risks.
<p>Director for Corporate Services and/or Corporate Services Manager</p>	<ul style="list-style-type: none"> • To co-ordinate risk management activities across the Council ensuring consistency and best practice. • To maintain the Risk Management Policy and Strategy. • To consider latest developments in risk management and prepare and issue guidance where appropriate.
<p>Service Managers</p>	<ul style="list-style-type: none"> • To ensure that appropriate and effective risk management processes are in place within their designated area(s). • To ensure risk assessments are carried out in liaison with appropriate identified advisors e.g. Health and Safety officer. • In situations where local control measures are considered to be inadequate reporting these risks to the Senior Management Team. • To raise awareness and promote risk management and encourage staff to participate in risk reduction. • Regularly present to Senior Management Team the main risks within individual service areas on a rolling basis.
<p>All Staff</p>	<ul style="list-style-type: none"> • To maintain an awareness of risk management principles. • To be aware of risks in their own area of work and to take appropriate care. • To report any new or changing risks to their manager.

4. **OUR FOUR STEP APPROACH TO RISK MANAGEMENT**

Melton Borough Council adopts a pragmatic approach to risk management which consists of **4 steps**

<p>Step 1 Identifying Risks</p>	<p>Risks identification is about identifying the key risks to the council and asking the following questions:</p> <ul style="list-style-type: none"> • What could stop the Council achieving its objectives? What could go wrong? • What type of risk could it be e.g. financial, political, legal, partnership? • How would we describe the risk? What is the headline? <p>It is useful to use the phrase "If....then....."For example if key staff leave the Council's employment then the remaining staff may not have the appropriate skills to provide the service required. One identified risk may then lead to another risk. If the remaining staff do not have the appropriate skills to provide the service required the Council may not be able to meet statutory requirements and so on.</p>
<p>Step 2 Analysing and Prioritising Risks</p>	<p>Risk analysis and prioritisation is about fully understanding the risk (drilling down further) and asking the following questions:</p> <ul style="list-style-type: none"> • What is the background to the risk? What would cause the risk to occur? • What would the impact be? • What is the likelihood of the risk occurring? <p>In order to assess risks the Council uses a 4x6 matrix to analyse and evaluate the Council's exposure to risk in terms of its impact and likelihood.</p>
<p>Step 3 Controlling Risks</p>	<p>Risk control is about putting in place appropriate mitigating actions to manage the risk and asking the following questions:</p> <ul style="list-style-type: none"> • How can they be eliminated? • How can they be avoided? • How can they be made less likely? • How can they be made less costly? <p>Even when all reasonable practical measures have been taken to eliminate or reduce risk, there will always be a residual risk that has to be addressed. The organisation must consider how the residual risk is managed and this can be done through commercial insurance i.e. transferring the risk or tolerating the risk as it stands.</p>

<p>Step 4</p> <p>Monitoring Risks</p>	<p>Risk Monitoring is the last but not least step in the process. Having effective monitoring arrangements will ensure that your response to risk is both effective and proportionate by asking the following questions:</p> <ul style="list-style-type: none"> • Are the risk controls in place the right ones? • Are the risk controls having a positive impact? • Are we on track in terms of achieving our target risk scores? • Do we need to do anything further to mitigate the <p>In order to monitor the effectiveness of risk controls – regular update reports are discussed at SMT, within Directorates and via the Governance Committee.</p>
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5. OUR RISK MATRIX AND SCORING GUIDE

5.1 The key element of risk management is being able to assess and prioritise risks. This enables key resources to be focused. The matrix used by this Council is set out below.

			Impact / Consequences			
			Negligible	Marginal	Critical	Catastrophic
			1	2	3	4
Likelihood	Score/definition	Probability				
	6 Very High	More than 90%	Medium (6)	Medium (12)	High (18)	High (24)
	5 High	55% to 90%	Medium (5)	Medium (10)	High (15)	High (20)
	4 Significant	15% to 55%	Low (4)	Medium (8)	Medium (12)	High (16)
	3 Low	5% to 15%	Low (3)	Low (6)	Medium (9)	Medium (12)
	2 Very Low	1% to 5%	Low (2)	Low (4)	Low (6)	Medium (8)
	1 Almost impossible	0% to 1%	Low (1)	Low (2)	Low (3)	Low (4)

Likelihood		Impact	Description guide
Very High	> 90%	Negligible	Minor financial, no effect on service provision or reputation, limited physical consequences
High	55% to 90%	Marginal	£10k - £200K??, service slightly reduced broken bones/illness, objectives of one area not met, minor adverse local media, impact on inspection (s)
Significant	15% to 55%	Critical	£200K - £1M, service suspended short term / reduced, loss of Life/major illness, area objectives not met, industrial action, adverse national publicity
Low	5% to 15%		
Very Low	1% to 5%	Catastrophic	£1M- £10M, service suspended long term, statutory duties not delivered, major loss of life/large scale major illness, corporate objectives not met, mass staff leaving/Unable to attract staff, Remembered for years!! Service taken over permanently

6. OUR APPETITE FOR RISK

6.1 Risk prioritisation will determine whether the risk is within the appetite of the Council. Risk appetite is defined as the level of risk that the council is prepared to accept in order to achieve our goals.

6.2 All organisations must:

- Accept some degree of risk,
- Set boundaries as to what is an appropriate level of risk,
- Be mindful of differing perspectives of reasonable risk appetite e.g. the public, the courts, inspectors and members.

6.3. Consequently, articulating risk appetite can be a complex task requiring the balancing of many views. Some elements can be quantified but ultimately it is a question of judgment. This opinion may vary from time to time and dependent upon current circumstances.

6.4. There are two key messages

- The risk matrix adopted by the council sets broad boundaries as to what is tolerable and not tolerable. The risk matrix provides a scoring for risks. Risks that score “13” or above should have regular Director visibility.
- This may not always provide enough clarity - **“If in doubt about a particular risk– consult”**

6.5. The table below sets out a clear summary of the levels of risk tolerance. Clearly the higher the risk than there is a requirement that this risk is known about at a Director level.

Level of Risk	Level of Concern	Potential Consequences	Action Required	Level of visibility required	Risk Treatment Option(s) Available
High >12	Concerned	Severe impact	Comprehensive action is required within 3 months	Director	Transfer Terminate Treat
Medium 6-12	Uneasy	Medium impact	Action plans to be developed within 6 months	Service Managers	Transfer/ terminate/ treat/ tolerate /contingency plan
Low 1 – 6	Content	Relatively light impact	The council is prepared to accept this risk	-	Tolerate/treat if cost effective

7. **RISK MANAGEMENT IN COMMITTEE REPORTS**

- 7.1 One of the most common risk management activities will be the identification of risks within Committee reports.
- 7.2 **Appendix B** contains a number of risk prompts that will assist in the identification of key risks.
- 7.2 In essence there are a number of features to robust risk management within Committee reports
- What are the potential risks of NOT going ahead with the recommendation
 - What are the key risks to the Council going ahead with the various options or recommendations
 - What are some of the implementation risks (as opposed to the risks once the recommendations are implemented)
- 7.3 We should not be seeking to identify every risk within Committee reports but only those risks that are deemed as significant.
- 7.4 The key challenge for officers is to ensure that all reports and plans present both the upside of a decision (opportunities) and the potential downside of a decision (risks). The current clearance of reports for meetings is designed to ensure that these two aspects are appropriately challenged.

8. ROLE OF MEMBERS

8.1 The role of members is crucial in ensuring that the management of risk is taken seriously within an organisation. Members set the tone for the management of risk throughout the organisation.

8.2 The general responsibilities of elected members to manage risks are to:

- Support the effective implementation of risk management
- Agree on member and officer structures for managing the Council's risks
- Ensure risk management receives due consideration when reaching key decisions
- Promote a positive attitude toward managing risk
- View the process as long term
- Take a top down approach
- Aim for continual improvement

8.3 Members need to challenge in a positive manner their understanding of the risks being presented in Committee reports. Areas to consider include

- (1) What am I being told are the main risks?
- (2) What do I think are the main risks? [identify and compare to the report]
- (3) What priority are these risks in reality? [do I agree?]
- (4) What are the measures to manage the key risks?
- (5) Am I confident these measures will manage the risk?

9.0 RISK MANAGEMENT IN OUR KEY PARTNERS

9.1 More than ever, Council's rely on a variety of partners to deliver our key goals (both public sector and private sector partners). It is vital that good risk management practices are not just undertaken by the council but also by our partners and partnerships. It is the responsibility of officers and members to ensure that significant partnerships with which they are engaged embed the following sound risk management principles.

- a) Regular view of the main risks
- b) Clear definition around the main actions and controls to manage the risk
- c) Clarity around risk allocation (who is taking what risk)
- d) A sound approach and process to managing risk

9.2 Local Government increasingly delivers its services through partnerships with other public bodies, third sector groups and private sector organisations. There are two aspects to our risk strategy involving risk in key partners

a) Assessing the risks involved prior to entering into a new arrangement as part of the policy decision. Decisions to enter into partnerships should be based on a sound understanding of the risks and challenges as well as the opportunities and anticipated benefits.

b) Ensuring there is an ongoing risk view for key partnerships at any point in time. Officers involved with key partnerships and contracts that are ongoing should specifically consider and log the associated risks to the council and manage them in accordance with this strategy.

OR

c) Challenging key partners as to how they manage their key risks. Key questions will include

- Do they have a strategy or approach to managing risks?
- Can they demonstrate an assessment of their main risks?
- Can they provide confidence around the mitigation measures?

9.3 It is also necessary to clarify the governance arrangements, the legal status and the extent to which the council may be bound by decisions made by the partnership.

9.4 Some partnerships will have already adopted an approach to risk management which can be relied on. When this is not the case the council's standard approach should be followed.

10.0 OTHER RISK MANAGEMENT MATTERS

9.1 Business Continuity Management

The Civil Contingencies Act requires the Council to prepare and maintain business continuity plans. The topics of risk management and business continuity are complementary. The main threats that the council faces are assessed through risk management and managed through the development of business continuity plans.

As part of our approach the Council seeks to follow the principles of BS25999 (the British Standard on Business Continuity).

The Council's contact point for business continuity is the Assistant Director for Strategic Planning and Regulatory Services

9.2 The Annual Governance Statement

Each year the Council has to complete an annual governance statement. A significant feature of this statement is the way the council is managing the risks it faces.

To enable this statement to be completed by the Monitoring Officer the Section 151 officer sends every member of the Senior Management Team an annual assurance statement to sign along with a checklist. Any weaknesses identified are discussed at our corporate Governance group which consists of the statutory officers and the Solicitor to the council. The pertinent risk management questions are

“Section 4 - Business Risk Management:


- *Business risks are identified and assessed arising from new initiatives by utilising the risk template*
- *Action is taken to manage and review business risks within my service areas.*
- *Business risks are included in the corporate Risk Register and business unit's risks are included in Service Plans as appropriate.”*

9.3 Risk Management Training and Support

To ensure the successful implementation and maintenance of the Risk Management Policy and Strategy key Members and staff will be appropriately trained to perform their required role. An ongoing training programme is contained within the Corporate Training Plan.

General awareness-raising for staff will be undertaken through team meetings. The use of Lead Members will also ensure risk management is embedded into the Council.

APPENDIX A – SAMPLE RISK REGISTER FORMAT

 <p>Risk Register</p>														
REF	RISK TITLE & DESCRIPTION (a line break - press alt & return - must be entered after the risk title)	RISK VULNERABILITY AND CAUSE	RISK CONSEQUENCES	EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING <i>(See next tab for guidance)</i>			FURTHER ACTION REQUIRED	TARGET RISK RATING <i>(See next tab for guidance)</i>			RISK OWNER	RISK DATE	REVIEW
					LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING			
1														
2														
3														
4														
5														
6														

APPENDIX B

Risk Prompts

Risks can be considered under major headings of ‘Strategic’, ‘Operational’, ‘Partnership’, and ‘Project’. Generally, strategic level risks are likely to affect the medium to long-term priorities of the Council, and require longer term planning in order to address. Under these heading there are a number of categories such as Political, Social, and Legislative which will be of greater concern at the strategic level, while Professional, Technological, and Physical risks are of more concern at operational levels. **The table below provides a number of prompts to assist risk identification.**

Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or meet the local administration’s manifest commitment	New political arrangements, Political personalities, Political make-up
Economic	Changes to the wider economy and trends.	Cost of living, changes in interest rates, inflation, poverty indicators
Social	Relating to the effects of changes in demographic, residential or socio-economic trends.	Ageing population, health statistics, migration.
Technological	The pace/scale of technological change, or the ability to use technology to address changing demands. Can also include the consequences of technological failures.	E-Gov. agenda, IT infrastructure, Staff/client needs, security standards
Legislative	Associated with current or potential changes in national or European law	Human rights, appliance or non-appliance of TUPE regulations
Environmental	Relating to the environmental consequences of progressing the council’s strategic objectives	Land use, recycling, pollution
Professional/ Managerial	Associated with the particular nature of each profession, internal protocols and managerial abilities	Staff restructure, key personalities, internal capacity
Financial	Associated with financial planning and control. These include internal budgetary pressures	Budget overspends, level of council tax, level of reserves
Legal	Related to possible breaches of legislation	Client brings legal challenge
Physical	Related to fire, security, accident prevention and health and safety	Offices in poor state of repair, use of equipment
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification	Contractor fails to deliver, partnership agencies do not have common goals
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value	Fail to win quality accreditation, position in league tables
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens	Managing expectations, extent of consultation

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Risk Register

REF	RISK TITLE & DESCRIPTION <small>(a line break - press alt & return - must be entered after the risk title)</small>	RISK VULNERABILITY AND CAUSE	RISK CONSEQUENCES	EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING <small>(See next tab for guidance)</small>			FURTHER ACTION REQUIRED	TARGET RISK RATING (6-12mths) <small>(See next tab for guidance)</small>			RISK OWNER	RISK REVIEW DATE
					LIKELI HOOD	IMPACT	RISK RATING		LIKELI HOOD	IMPACT	RISK RATING		

GOVERNANCE COMMITTEE

12 JUNE 2018

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 be 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

There are two complaints in progress. At the time of writing this report, one is at the informal resolution stage and the other has been considered by Governance Sub Committee 1 and has had elements of the complaint referred for investigation and will be considered by Governance Sub Committee 2 in due course.

3.3 Independent Persons and Parish Representatives

One of the Independent Persons has been consulted on a recent complaint.

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:	Keith Aubrey, Monitoring Officer
Date:	June 2018
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/2018-19/120618/Code of Conduct – Update on Progress

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GOVERNANCE COMMITTEE

12 JUNE 2018

REPORT OF THE MONITORING OFFICER

CONSTITUTION UPDATE 2018 19

1.0 PURPOSE OF REPORT

- 1.1 The Committee is requested to consider new items or changes to the Constitution and those approved or noted by this Committee will be referred to the Council for adoption or noting and incorporation into the Council's Constitution.

2.0 RECOMMENDATIONS

- 2.1 In accordance with recommendation 2.2, following consideration of items (a)-(d) for noting, these items also be referred to the Full Council :-

(a) Director for Legal and Democratic Services

To note that following approval of the Senior Management Structure at Full Council on 12 December 2017 which included that a Director for Legal and Democratic Services be appointed, the Monitoring Officer has exercised his delegation to update all delegations and references in all relevant parts of the Constitution to reflect that this appointment replaces the Solicitor to the Council with effect from 11 June 2018.

(b) Appointment of Monitoring Officer

To note that following approval of the appointment of the Monitoring Officer to Adele Wylie by the Full Council on 25 April 2018, the Monitoring Officer has exercised his delegation to transfer all delegations and references in all relevant parts of the Constitution to Adele Wylie, the Director for Legal and Democratic Services with effect from 25 June 2018.

(c) Part 6 – Member Allowances Scheme

To note that the Members' Allowances Scheme for 2018/19 that was approved at Full Council on 7 February 2018 is now in place and following the recent NJC Pay Award of 2.0% the Monitoring Officer has exercised his delegated authority to update all allowances accordingly with effect from 1 April 2018 as set out at Appendix A. The scheme has also been updated to take account of the changes to the Council's Committee Structure approved at the Extraordinary Meeting of the Council held on 8 May 2018.

(d) Counter Fraud and Ethical Governance Arrangements – Internal Audit Report

To note that the Monitoring Officer had exercised his delegation to include the following two references in the Whistleblowing Policy at

Part 10 and the Officers' Code of Conduct at Part 5 respectively of the Constitution :-

- (i) The Whistleblowing Policy should refer to the Employee Assistance service which would be available to support whistleblowers and advise that ongoing confidential support from the Monitoring Officer/Head of Internal Audit would be available throughout what could be a stressful time.**

and

- (ii) To review the Officer Code of Conduct and include reference to compliance with:**

- Financial Procedure Rules**
- Contract Procedure Rules**
- Counter Fraud and Anti-Bribery policies**

Also, to include a requirement to notify the Council of criminal convictions or charges received.

- 2.2 To note that the Monitoring Officer has delegated authority to make amendments following legislative or other statutory changes and minor procedural and operational changes. Such changes will be reported to the Governance Committee and subsequently the Council, as soon as practicable thereafter.**

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 Strategic 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 approval and inclusion in the Constitution. In the case of items for noting, these are to be referred to the Council for noting also.**

3.3 New Director for Legal and Democratic Services

As part of the new Senior Management structure that was approved at Full Council on 12 December 2017 and includes a Director for Legal and Democratic Services, Adele Wylie has been appointed as the Director for Legal and Democratic Services with effect from 11 June 2018.

Therefore the Monitoring Officer has used his delegation to transfer all delegations and references in all relevant parts of the Constitution currently with the Solicitor to the Council to the Director for Legal and Democratic Services with effect from 18 June 2018.

3.4 Appointment of Monitoring Officer

Following on from the new Senior Management structure that was approved at Full Council on 12 December 2017, it was approved that the Director for Legal

and Democratic Services also include the role of Monitoring Officer.

At its meeting on 25 April 2018, the Council approved that Adele Wylie be appointed as the Council's Monitoring Officer with effect from 25 June 2018.

Therefore the Monitoring Officer has used his delegation to update all delegations and references in all relevant parts of the Constitution to the Monitoring Officer to reflect that these are transferred to the Director for Legal and Democratic Services with effect from 25 June 2018.

3.5 Part 6 – Member Allowances Scheme

At Full Council on 7 February 2018, the Council approved a Member Allowances Scheme that came into effect on 16 May 2018 (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 2.0% Pay Award with effect from 1 April 2018, 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. The scheme also takes account of the changes to the Council's Committee Structure approved at the Extraordinary Meeting of the Council held on 8 May 2018 and which specifically referred to updating the scheme as a consequence of the Governance Review.

3.6 Counter Fraud and Ethical Governance Arrangements – Internal Audit Report

It had come to light that there were two actions outstanding from a previous Internal Audit report listed below at (a) and (b). To address this, the Monitoring Officer has exercised his delegated authority to update the Whistleblowing Policy at Part 10 and the Officers' Code of Conduct at Part 5 of the Constitution to include reference to these matters.

(a) The Whistleblowing Policy should refer to the Employee Assistance service which would be available to support whistleblowers and advise that ongoing confidential support from the Monitoring Officer/Head of Internal Audit would be available throughout what could be a stressful time.

and

(b) To review the Officer Code of Conduct and include reference to compliance with:

- Financial Regulations;
- Contract Procedure Rules
- Counter Fraud and Anti-Bribery policies

Also, to include a requirement to notify the Council of criminal convictions or charges received.

3.7 It may be helpful to note that the Monitoring Officer has delegated authority to make amendments following legislative or other statutory changes and minor procedural and operational changes. Such changes will be reported to the Governance Committee and subsequently the Council, as soon as practicable thereafter.

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 an 'Agile 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 following legislative or other statutory changes and minor procedural and operational changes. Such changes will be reported to the Governance Committee and subsequently the Council, as soon as practicable thereafter.

7.0 COMMUNITY SAFETY

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

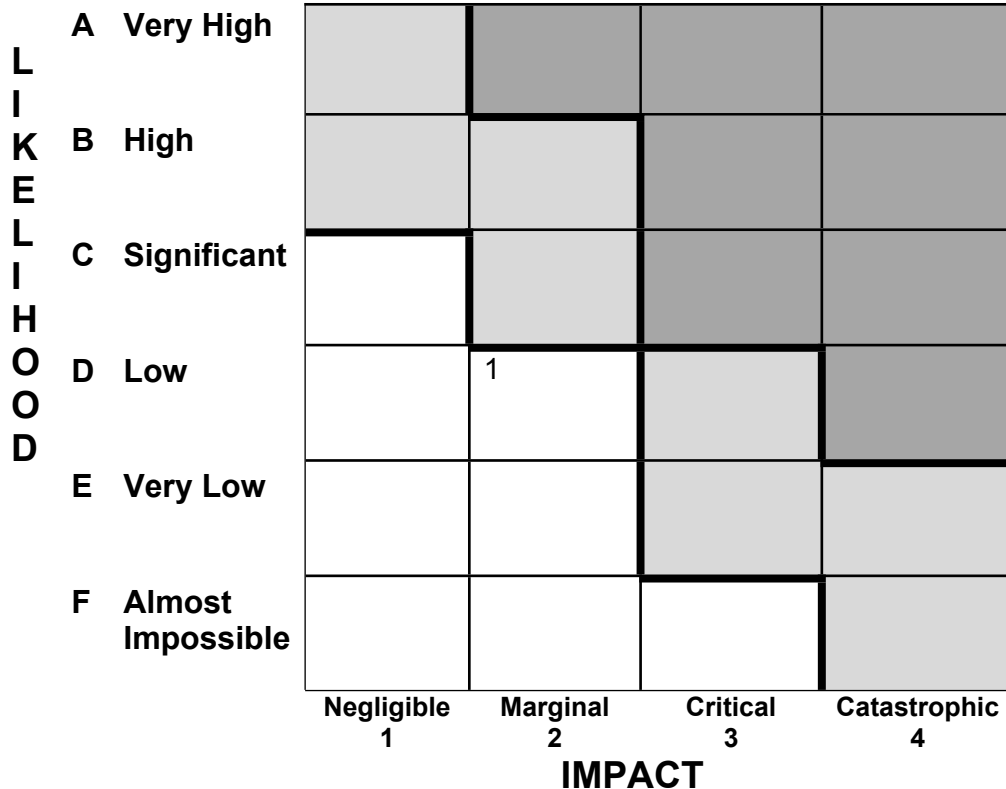
8.0 EQUALITIES

8.1 Equalities Screening Assessments have been drafted on the items within the report and most items presented relate to the legality of decision-making.

9.0 RISKS

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

9.2



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 is electronically available to Members and Officers to meet the Council’s corporate commitment to green targets.

11.0 CONSULTATION

11.1 There is regular internal consultation with Strategic 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 Keith Aubrey, Monitoring Officer/ Sarah Evans, Senior Democracy Officer

Date: June 2018

Appendices : Appendix A – Member Allowances Scheme

Background Papers: Previous Full Council reports and minutes

Reference : X : Committees\Governance\2018 19\120618\ Constitution Update 2018 19

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Part 6

Member Allowances Scheme

WEF 16 May 2018

(In accordance with NJC pay award, 2% increase applied wef 2 April 2018)

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 16 May 2018.

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 16 May 2018 the Allowance shall be £4,804 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 Corporate and Recruitment Committees)	£12,781
Deputy Leader	(Role includes Vice Chair of Corporate and Recruitment Committees)	£4,084
Other Group Leader(s)	Other Group Leaders (besides the Leader of the Council) – see note below*	*£3,733
Leader of the Opposition	The main Opposition Group Leader's allowance be augmented by this sum – see note below**	**£698
Chair	Governance Committee	£4,084
Chair	Licensing & Regulatory Committee	£4,084
Chair	People Committee	£4,084
Chair	Place Committee	£4,084
Chair	Planning Committee	£4,084
Chair	Appeals Committee	£2,163
Vice Chair	Governance Committee	£1,204
Vice Chair	Licensing & Regulatory Committee	£1,204
Vice Chair	People Committee	£1,204
Vice Chair	Place Committee	£1,204
Vice Chair	Planning Committee	£1,204

* 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)	£32 per site visit
When the number and duration of site visits, combined with the duration of the Members briefing reaches a level where the Assistant Director for Strategic Planning and 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 £53 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	£481
Parish Representative(s)	Required to be involved in considering allegations against a Parish Councillor	£312

3.0 CHILD CARE AND DEPENDANT CARERS' ALLOWANCE

3.1 A Councillor shall be entitled to claim an allowance of up to £6.82 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 £1,361.

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 Director for Corporate Services, 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 Director for Corporate Services 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 Director for Corporate Services 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 16 May 2018 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.