



*Rural Capital of Food*

# Agenda

<b>Meeting name</b>	<b>Governance Committee</b>
<b>Date</b>	<b>Tuesday, 20 November 2018</b>
<b>Start time</b>	<b>6.30 pm</b>
<b>Venue</b>	<b>Parkside, Station Approach, Burton Street, Melton Mowbray LE13 1GH</b>
<b>Other information</b>	<b>This meeting is open to the public</b>

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

<b>Councillors</b>	P. Cumbers (Chair)	J. Simpson (Vice-Chair)
	T. Bains	M. Blase
	J. Douglas	P. Faulkner
	M. Glancy	J. Illingworth
	P. Posnett	J. Wyatt

**Quorum:** 4 Councillors

<b>Meeting enquiries</b>	Catherine Richards
<b>Email</b>	<a href="mailto:crichards@melton.gov.uk">crichards@melton.gov.uk</a>
<b>Agenda despatched</b>	Monday, 12 November 2018

No.	Item	Page No.
1.	<b>APOLOGIES FOR ABSENCE</b>	
2.	<b>MINUTES</b> To confirm the minutes of the meeting held on 18 September 2018.	1 - 10
3.	<b>DECLARATIONS OF INTEREST</b> Members to declare any interest as appropriate in respect of items to be considered at this meeting.	11 - 12
4.	<b>INTERNAL AUDIT PROGRESS REPORT</b> The Head of Internal Audit to submit a report to update Members on progress made in delivery of the 2018/19 Annual Audit Plan and key findings arising from audit assignments completed since the last Committee meeting.	13 - 28
5.	<b>INTERNAL AUDIT PLANNING 2019/20</b> The Head of Internal Audit to advise the Committee on the proposed approach to development of the 2019/20 Audit Plan and consult Members on risk areas for consideration.	29 - 32
6.	<b>FRAUD UPDATE</b> The Head of Internal Audit to submit a report updating Members on the implementation and latest status of the Counter Fraud Action Plan.	33 - 36
7.	<b>UPDATE ON GOVERNANCE ARRANGEMENTS</b> The Director for Legal and Democratic Services to submit a report receiving the Leader's report on the Governance Development Group's work on the review of Governance arrangements (which is to be considered by the Extraordinary meeting of the Council on 21 November 2018) and requesting the Committee's comments on the Leader's report.	<i>To follow</i>
8.	<b>CODE OF CONDUCT UPDATE</b> 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.	37 - 40
9.	<b>URGENT BUSINESS</b> To consider any other items that the Chair considers urgent.	



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# Minutes

<b>Meeting name</b>	<b>Governance Committee</b>
<b>Date</b>	<b>Tuesday, 18 September 2018</b>
<b>Start time</b>	<b>6.30 pm</b>
<b>Venue</b>	<b>Parkside, Station Approach, Burton Street, Melton Mowbray LE13 1GH</b>

**Present:**

**Chair**

**Councillors**

P. Cumbers  
T. Bains  
P. Faulkner  
J. Wyatt

J. Simpson  
J. Douglas  
M. Glancy

**Observers**

**Officers**

Chief Executive  
Director for Corporate Services  
Director for Legal and Democratic Services  
Head of Internal Audit  
Administrative Assistant Elections & Member Support

Minute No.	Minute
G92	<p><b>Apologies for Absence</b> Apologies for absence were received from Councillors Blase, Illingworth and Posnett.</p>
G93	<p><b>Minutes</b> The minutes of the meeting held on 24 July 2018 were confirmed and authorised to be signed by the Chair.</p>
G94	<p><b>Declarations of Interest</b> Councillor Cumbers declared a pecuniary interest in exempt agenda item 4 (Information Governance).  Councillor Wyatt declared an other interest in agenda item 9 (Code of Conduct Update).</p>
	<p><b>EXCLUSION OF THE PUBLIC</b> <b>RESOLVED</b> that the Public be excluded during the consideration of the following item of business in accordance with Part 1 of Schedule 12A of the Local Government Act 1972 (Access to Information : Exempt Information) under paragraphs 1 and 2.</p>
	<p><i>Councillor Cumbers provided a statement to the Committee, thanking the Chief Executive and the Head of Internal Audit for their hard work on this matter and left the meeting.</i></p>
G95	<p><b>Investigation Report</b> The Chief Executive submitted a report (copies of which had previously been circulated to Members).  There was a brief discussion on the report and this is set out in full in the exempt minutes.  <b>RESOLVED</b> that the report be noted.</p>
	<p><i>Councillor Cumbers returned to the meeting</i></p>
G96	<p><b>Annual Audit Letter</b> On behalf of the External Auditor, Ernest Young, the Director for Corporate Services  (a) submitted a report (copies of which had previously been circulated to Members) which provided a high level summary of the results of the 2017/18 audit work undertaken at Melton Borough Council;</p>

(b) gave a brief overview of the report, highlighting that:-

- External Audit had issued this report following the completion of their audit procedures for the year ending 31 March 2018
- matters reported on were the most significant for this Council and detailed findings from the 2017/18 Annual Governance Report (as reported to this Committee on 24 July 2018) were not repeated here;

(c) advised that the report would be published and its availability to the public would be advertised. Electronic copies would be provided free of charge and a fee would be charged for hard copies.

There being no comments or questions from Members, it was

**RESOLVED** that the report be noted.

G97

**Internal Audit Progress Report 2018/19**

The Head of Internal Audit

- i. submitted a report (copies of which had previously been circulated to Members) updating the Committee on progress made in delivering the 2018/19 Annual Audit Plan and key findings arising from audit assignments completed;
- ii. advised that since the last Committee meeting:-
  - 65% of the Audit Plan was either complete or in progress. The Plan was at Appendix A of the report (page 54).
  - two audit reports had been finalised and were summarised at paragraph 2.5 of Appendix A:-
    - i. IR35: This concerned new tax legislation, which affected tax implications for off-payroll workers. The review had identified that there was no policy, procedures or guidance for staff on assessing off-payroll workers for IR35 implications. This had led to inconsistencies and some gaps in controls. Controls had been implemented, whereby cases were identified via new starter forms but sample testing highlighted that this was not effectively highlighting all relevant cases. As such, limited assurance was given on both the design and compliance with the controls. Management had requested the review to provide advice on improvement and an action plan was now in place, with some actions already implemented.
    - iii. Beckmill Court Regeneration Project: The review had highlighted some gaps in the project management documentation, which meant only limited assurance could be given for compliance. It was noted that a number of these issues appeared historic and improvements had since been made to project management

controls and awareness. She highlighted the additional recommendation at paragraph 2.2 of the report, to defer the Gretton Court audit and replace it with work on testing compliance with procurement rules, to provide assurance that these issues were not widespread and recent improvements had been effective.

- Thirty actions had been implemented and twenty-four remained overdue. Of the overdue actions, none were high priority and were subject to ongoing monitoring by Management having been given revised implementation dates.

A Member queried if this Council had full responsibility for Gretton Court or a shared responsibility with Leicestershire County Council. The Director for Corporate Services confirmed that this Council had full responsibility and Gretton Court was included in the Housing Revenue Account.

A Member commented that they were surprised to learn that in 2012 Beckmill Court was identified as a negative value asset.

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

**RESOLVED** that the

- (1) report be noted, together with the progress made by the Internal Audit team in delivery of the Audit Plan;
- (2) proposed amendment to the Audit Plan – to defer the planned audit of the Gretton Court project to 2019/20 be approved and an audit of compliance with procurement rules be included in the 2018/19 plan.

G98

**Local Code of Corporate Governance**

The Monitoring Officer

- (a) submitted a report (copies of which had previously been circulated to Members) requesting the Committee to consider the Local Code of Corporate Governance;
- (b) gave a brief overview of the report, which detailed the requirements for the Council to produce a Local Code of Corporate Governance and current governance arrangements, in line with the revised Code;
- (c) advised that as part of the Internal Audit work plan for 2017/18, the Head of Internal Audit, in consultation with Management Team and herself had reviewed the Local Code of Corporate Governance and further updated it. This ensured that it reflected the current governance arrangements of the Council and remained consistent with the principles of good governance, as detailed in the CIPFA/SOLACE Framework 2016 Edition;

(d) confirmed that she would work with the Head of Internal Audit to produce an Action Plan to ensure that there was appropriate monitoring and on-going review of the Code. This would be reported to this Committee during 2018/19.

A Member referred to principle B – Ensuring openness and comprehensive stakeholder engagement, at paragraph 3.3 of the report, commenting that in the past, there had been debate over allowing the notes of working group and task group meetings to be open. Could they be made accessible after a certain period?

The Monitoring Officer advised that due to the new governance arrangements, this Council did not have as many working groups and task groups as in the past. Policy and Regulatory Forums and informal working groups were held. Formal minutes were not taken at these meetings. She confirmed that she was in favour of transparency and that this would be at the forefront of future work undertaken by the Governance Development Group. It was important to be open and accountable to the community. A survey would be available on the Council's website shortly (open until 4 October 2018), engaging with the public and canvassing opinion.

Another Member referred to the Council's Constitution (Part 5 – Codes and Protocols, Exempt Minutes Procedure, paragraph 10), advising that it stated that exempt minutes were reviewed by the Monitoring Officer, to enable release of any minutes which no longer met their exemption category. They commented that they had never known this review and release to take place, adding that the Monitoring Officer had confirmed that she would like to see this work undertaken in the future.

The Monitoring Officer advised that as Director of Legal and Democratic Services, she was examining the potential for creating a dedicated Democratic Services team, under her function to carry out work such as this.

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

**RESOLVED** that the revised Local Code of Corporate Governance be approved.

G99

**Ombudsman Report**

The Monitoring Officer

(a) submitted a report (copies of which had previously been circulated to Members) updating the Committee on the annual letter received from the Local Government and Social Care Ombudsman, in respect of decisions made regarding complaints against Local Authorities for the year ending 31 March 2018;

(b) advised that the Local Government and Social Care Ombudsman was the final stage for complaints about councils, all adult social care providers and some other organisations. It was used when the Council's complaint process had been exhausted;

(c) highlighted that statistics published by the Local Government and Social Care Ombudsman, showing the number of complaints it had upheld or not upheld for each Authority for the year ending 31 March 2018, was at Appendix A of the report;

(d) confirmed that the Local Government and Social Care Ombudsman had received eight complaints, in respect of this Council, which was minute in comparison with other Authorities.

(e) stated that of the eight complaints:-

- advice was given in respect of one complaint
- six were referred back to the Council for a resolution
- one was closed after initial enquiries

This was a good result for the Council. The Local Government and Social Care Ombudsman had not conducted any detailed investigations in respect of this Council and no complaints had been upheld.

On behalf of a Member who was unable to attend this meeting, the Chair queried how many of the six complaints, which had been referred back to the Council for a resolution had been resolved. The Monitoring Officer advised that she did not have specific details but was able to confirm that all had been resolved and closed.

**RESOLVED** that the information at appendix A of the report be noted.

G100

**Code of Conduct Update**

The Monitoring Officer

(a) submitted a report (copies of which had been previously circulated to Members) updating 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 this Council's process;

(b) gave a brief overview of the report, confirming that:-

- Members had been reminded to ensure that their Disclosable Pecuniary Interests were up to date. Should their personal circumstances change, or those of a partner, such as a change of address or job or becoming a member of a new local organisation they were required to update their DPI form and this would be uploaded to the Council's website.
- since writing the report, the two complaints under consideration had been closed, meaning that there were no outstanding complaints.
- in accordance with the Member Complaints Process, this Committee was requested to note that it was the Monitoring Officer's intention to close the complaint, which had been referred for investigation, as the Investigating Officer's report had concluded that there was no case to answer. It was not necessary to hold a Governance Sub Committee



2 meeting to note this. Information had been added to the relevant Governance Sub Committee 1 web page, advising that the outcome of the investigation had been reported to this meeting. In future, all investigations originating at Governance Sub Committee 1 would be reported to Governance Committees.

- one of the Council's two Independent Persons had resigned his position with effect from 17 August 2018. Recruiting to this role would commence within the next few weeks and information about this would be included in the next Members' Bulletin;

(c) highlighted the recommendation at paragraph 2.2 of the report.

The Chair emphasised that the position of Independent Person was a paid role. She acknowledged the work of the Senior Democracy Officer in summarising (at Appendix A) the Investigating Officer's confidential report and asked that her thanks be noted.

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

**RESOLVED** that

- (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;
- (2) closure of Member Complaint Reference GOV 53, in accordance with the Member Complaints Process and the Investigating Officer's finding of no breach be noted.

G101

**Constitution Update**

The Monitoring Officer

- (a) submitted a report (copies of which had previously been circulated to Members) requesting that the Committee consider new items or changes to the Constitution and those approved would be referred to the Council for adoption or noting and incorporation into the Council's Constitution;
- (b) highlighted that Members should expect to receive fewer but more lengthy reports in future, as it was anticipated that new items and changes would be reported collectively;
- (c) advised that the change to Part 6 - Member Allowance Scheme had been made for clarity and to avoid ambiguity, ensuring equality for all Members in claiming travel and subsistence expenses, as well as the basic allowance.

There being no comments or questions from Members, it was

**RESOLVED** that the following change to the Constitution be approved and referred to Full Council for adoption in the Constitution:-

(a) Part 6 – Member Allowances Scheme

In accordance with the explanation set out in paragraph 3.3 of the report, paragraph 1.2 of the Member Allowances Scheme be amended to include the words shown in red:-

1.2 Should a Member not claim the basic allowance, **Council related** expenses, **in addition to those that can be claimed elsewhere**, be claimable up to the maximum of the basic allowance.

(b) that the Monitoring Officer's delegated authority to make amendments following legislative or other statutory changes and minor procedural and operational changes be noted. Such changes would be reported to the Governance Committee and subsequently to the Council, as soon as practicable thereafter.

G102

**Urgent Business**

There was no urgent business.

The meeting closed at: 7.15 pm

Chair

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

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## Advice on Members' Interests

### **COUNCIL MEETINGS - COMMITTEE MINUTES : DECLARATION OF INTERESTS**

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

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

### **PERSONAL AND NON-PECUNIARY INTERESTS**

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

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

### **PERSONAL AND PECUNIARY INTERESTS**

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

### **DISCLOSABLE PECUNIARY INTERESTS AND OTHER INTERESTS**

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

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

### **BIAS**

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

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

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

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## GOVERNANCE COMMITTEE

20 NOVEMBER 2018

### REPORT OF HEAD OF INTERNAL AUDIT

#### INTERNAL AUDIT UPDATE

##### 1.0 PURPOSE OF REPORT

1.1 To update Members on progress made in delivering the 2018/19 Annual Audit Plan and key findings arising from audit assignments completed.

##### 2.0 RECOMMENDATIONS

2.1 **That Members note the report and progress made by the Internal Audit team in delivery of the Audit Plan.**

##### 3.0 UPDATE ON DELIVERY OF THE INTERNAL AUDIT PLAN

3.1 The progress achieved to date in delivering the 2018/19 Audit Plan is set out in Appendix A. Since the last Governance committee meeting, three reports have been finalised. At the time of reporting, 65% of planned assignments are either complete or in progress.

3.2 The key findings of the audit assignments from 2018/19 completed to date are provided within Appendix A.

##### 4.0 IMPLEMENTATION OF RECOMMENDATIONS

4.1 The Council's Management Team review progress made on implementing agreed management actions on a regular basis. At the date of reporting, there are 17 agreed management actions which are overdue for implementation. Further details are provided in Appendix A.

##### 5.0 POLICY AND CORPORATE IMPLICATIONS

5.1 The report allows the Committee to develop 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 If Internal Audit does not deliver the approved Audit Plan the assurance that it can provide about the Council's control framework would be compromised.

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: 05/11/2018

Appendices : A – Internal Audit Update Report

Background Papers: N/A

Reference : N/A





**MELTON BOROUGH COUNCIL**

**INTERNAL AUDIT UPDATE**

**NOVEMBER 2018**

**Date: 20<sup>th</sup> November 2018**

## ***Introduction***

- 1.1 LGSS provides the internal audit service for Melton Borough Council and has been commissioned to provide 235 audit days to deliver the 2018/19 Annual Audit Plan and undertake other work commissioned by the client.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Governance Committee to scrutinise the performance of the Internal Audit Team and to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the Consortium.

## ***Performance***

### **2.1 Will the Internal Audit Plan for 2018/19 be delivered?**

LGSS is set the objective of delivering at least 90% of the Internal Audit plans to draft report stage by the end of March 2019.

At the time of reporting, 65% of the Audit Plan is either complete or in progress.

Progress on individual assignments is shown in Appendix 1.

### **2.2 Are audits being delivered to budget?**

Internal Audit is on target to deliver the Audit Plan within the 235 days budget. Any overruns on individual assignments are managed within the overall budget.

### **2.3 Are clients satisfied with the quality of the Internal Audit assignments?**

Responses received to the Customer Satisfaction Questionnaire show that clients have rated all aspects of the audit assignments completed during the year to date as 'good' or 'outstanding'. A summary of the responses is provided in Appendix 2.

### **2.4 Is the Internal Audit team achieving the expected level of productivity?**

As at week 20, the team had been delivering 96% productivity, against the target set of 90%.

### **2.5 Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?**

Since the last committee meeting, three further final reports have been issued for assignments from the 2018/19 Internal Audit Plan. The key findings arising are as follows:

#### Absence Management

The current Managing Attendance Policy and Procedure is available for all staff on the shared network 'MIKE'. The policy is currently under review and the revised policy provides

a much clearer, more robust process for managing staff sickness absence and templates for formally recording meetings held. The policy should assist managers in supporting employees in their return to work and ensuring all key steps are taken in a timely manner.

HR maintains information on recorded sickness absences on an absence management system. Monthly sickness absence reports are received from service areas and reconciled to absence records and supporting evidence. A sample of monthly absence returns was reviewed and all except one absence was found to be recorded accurately on the system. The one case had already been identified by the HR and is being addressed.

The Managing Attendance policy includes definitions of sickness absence and contains guidance on management action in regards to short and long-term sickness cases. A sample of employee absences was reviewed and in all cases, including short and long term absences, actions had been taken to address and monitor absence in line with the existing policy requirements. Since procedures for addressing sickness absence will be changing under the new policy, line managers should receive training to ensure sickness absence is handled in line with the new requirements. Return to work procedures were also reviewed and in testing of a sample of absence cases, in all except one case evidence of the return to work interview was held and self-certification forms had been completed by the line manager and the employee.

Testing of a sample of flexi time sheets confirmed that in all cases selected 100% of sickness absences had been recorded on the absence management system. The Annual Leave Policy and Procedure as well as Flexible Working Hours Scheme are available to all staff. In sample testing, in 87% of cases the annual leave cards were readily available to confirm these were completed for the period of the absence and approved by the relevant Manager – in the remaining cases the cards were not available at the time of audit. In the majority of cases the flexi time sheets were completed accurately and in line with the procedures whilst some had minor administrative errors.

The latest Q4 figures were reported to Corporate Committee in July 2018 and stated 1.4 days lost per full time employee. However, it was noted that quarterly performance is being reported against the annual target of 5 days, making this appear as good performance when, in fact, as a quarterly figure this is poor performance against target.

Based upon the findings, Internal Audit has given the following assurance opinions over the management of the associated risks:

Assurance Opinion		
<b>Control environment</b>	Good	●
<b>Compliance</b>	Good	●
<b>Organisational impact</b>	Minor	●

## Travel Expenses

The Reimbursement of Expenditure Policy sets out the Council's rules on how employees can claim for travel expenses incurred in the performance of their duties for the Council and is available for all staff on the shared network 'MIKE'. However, the policy lacks clarity around out of hours travel claims and tax implications.



To claim for expenditure incurred driving on Council business, employees are required to set out the distance of the journey undertaken on the expenses claim form. Audit review focused on travel claims submitted since April 2018 as a reminder regarding travel expenses had been issued to all staff in April 2018 reminding staff of the recently reviewed Reimbursement of Expenditure Policy. Review of a sample of travel claims demonstrated that consistent documentation for recording travel claims had been used. However, the testing of travel claims revealed cases where home to work mileage had not been deducted when required. These errors were not picked up by the line managers when reviewing the travel claims. Furthermore, one case was noted where a travel claim was approved by the manager who did not have the authorisation to sign off travel claims. Managers and administrators should pay extra attention when reviewing individual travel claims to identify any inconsistencies and spot any potential non-compliance.


Staff can also request rail travel using a Rail Travel form which is available for all staff on shared network 'MIKE'. Review of a sample of ten rail travel claims demonstrated that the rail travel claim form was consistently used for booking rail journeys. The evidence of manager review and authorisation was evident and supporting evidence such as rail tickets were retained and available for review.

The rates used to pay for employee mileage at MBC are superior to the HMRC approved mileage rates (AMRs) hence the amount paid in excess of the AMR is subject to tax. It was confirmed that the tax on these additional rates, as employee benefits, is paid through payroll.

Review of the essential car user scheme confirmed there is no set criteria established to determine who can be classed as an essential car user. Further analysis on essential car users revealed a potential additional cost of £50k over the last twelve months where users were paid the essential car user rate plus the lump sum instead of the standard casual rates. It is the auditor's opinion that a set criteria for essential car user scheme should be defined and essential car users must be regularly reassessed against the set criteria.

Based upon the findings, Internal Audit has given the following assurance opinions over the management of the associated risks:

Assurance Opinion	
Control environment	Satisfactory 
Compliance	Satisfactory 

<b>Organisational impact</b>	Moderate 
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Debt Management (consultancy)

A review of policies and procedures in relation to debt recovery confirms that whilst there is a framework in place, policies are out of date and require modernising. Once the policy update has been completed, awareness and training should be delivered to highlight and clarify the debt recovery arrangements and responsibilities.

Testing of the debt recovery process found that whilst the council tax, housing rents and NNDR recovery processes appear fit for purpose, sundry debt recovery is less effective.

Roles and responsibilities are covered within Financial Procedure Rules and the Corporate Debt Policy, however there is a lack of clear ownership and responsibility taken for sundry debtors, and a strategy of incentivising service areas and ensuring escalation, if non response is persistent, should increase debt recovery efficiency.

Debt write off arrangements are in place, however additional information on the recovery action taken should be entered onto the write off referral sheets to ensure that approvers are sufficiently aware of recovery actions taken before they are signed off.

Review of re-occurring debtors found a number of areas where pre-payment and direct debit optimisation could be used to make debt recovery more efficient.

Benchmarking of local taxes, housing rent arrears and sundry debt was undertaken with other Leicestershire districts to compare and contrast the Council's current debt position. Based on this analysis, other than council tax collection, the Council is currently under-performing against the comparator group.

Members can request copies of all final Internal Audit reports from the Head of Internal Audit or Director of Corporate Services at any time.

**2.6 Are clients progressing audit recommendations with appropriate urgency?**

Since the last Committee meeting, eight actions from audit reports have been completed by officers. At the date of reporting, there are 17 agreed management actions which are overdue for implementation. An analysis of the implementation of actions is provided in Appendix 3. There is one action which was assessed as 'High' priority which has been overdue for more than three months – full details are provided in Appendix 4.

**Appendix 1: Progressing the Annual Internal Audit Plan**

**KEY**  
Current status of assignments is shown by ●

Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Corporate Governance & Counter Fraud												
Code of Corporate Governance	4	4						●	N/A			
General Data Protection Regulation (GDPR)	12	9.7					●					
FOI and EIR	10	0.8		●								
Right to Buy	5	1.1			●							
Council Tax Support	12	-	●									
Procurement compliance	10	-	●									
Risk Management	10	-	●									
Key Corporate Controls & Policies												
Key Financial Controls	15	-		●								
IR35	10	10						●	Limited <span style="color: red;">●</span>	Limited <span style="color: red;">●</span>	Moderate <span style="color: yellow;">●</span>	

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Assignment	Budget	Actual	Not Started	Planning	Field Work Underway	Field Work Complete	Draft Report	Final Report	Control Environment	Compliance	Org Impact	Comment
Debt Management (consultancy)	10	10						●	N/A			See para 2.5
Travel Expense Claims	7	8.9						●	Satisfactory ●	Satisfactory ●	Moderate ●	See para 2.5
Business Continuity Management & Emergency Planning	10	5.8			●							
Absence Management	12	12						●	Good ●	Good ●	Minor ●	See para 2.5
Corporate Objective: Place												
Blackmill Court Regeneration Project	10	13						●	Satisfactory ●	Limited ●	Moderate ●	
Gretton Court	0	0.3										Cancelled
Housing Repairs	15	2.3			●							
Environmental Health	15	1.9			●							
Corporate Objective: People												
Safeguarding	11	-	●									

Assignment	Budget	Actual	Comments
Other Client Support			
Advice & Assistance	3	2.6	
Committee Work, Support & Annual Report	15	6.2	
Recommendation Follow-Up	3	1.7	
Client Meetings, AGS/NFI & External Audit, Audit Planning	15	3.9	
Internal Audit Management & Development	21	3.5	






At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members can expect to receive.

Compliance Assurances		
Level	Control environment assurance	Compliance assurance
<b>Substantial</b> ●	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.
<b>Good</b> ●	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.
<b>Satisfactory</b> ●	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.
<b>Limited</b> ●	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.
<b>No</b> ●	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.

Organisational Impact		
Level		Definition
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.

#### Category of Recommendations

The Auditor prioritises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

Priority		Impact & Timescale
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.

## ***Appendix 2: Customer Satisfaction***

At the completion of each assignment, the Auditor issues a Customer Satisfaction Questionnaire (CSQ) to each client with whom there was a significant engagement during the assignment. The Head of Service and the Line Manager receive a CSQ for all assignments within their areas of responsibility. The standard CSQ asks for the client's opinion of four key aspects of the assignment. The responses received in the year to date are set out below.

<b>Aspects of Audit Assignments</b>	<b>N/A</b>	<b>Outstanding</b>	<b>Good</b>	<b>Satisfactory</b>	<b>Poor</b>
Design of Assignment	1	1	3	-	-
Communication during Assignments	-	-	5	-	-
Quality of Reporting	-	-	5	-	-
Quality of Recommendations	-	-	5	-	-
<b>Total</b>	<b>1</b>	<b>1</b>	<b>18</b>	<b>-</b>	<b>-</b>

**Appendix 3: Implementation of Audit Recommendations**

	'High' priority recommendations		'Medium' priority recommendations		'Low' priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and <b>implemented</b> since last Committee meeting	-	-	7	37%	1	20%	8	<b>32%</b>
Actions due within last 3 months, but <b><u>not implemented</u></b>	-	-	4	21%	1	20%	5	<b>20%</b>
Actions due <b><u>over 3 months</u></b> ago, but <b><u>not implemented</u></b>	1	100%	8	42%	3	60%	12	<b>48%</b>
Totals	1	100%	19	100%	5	100%	25	100%

**Appendix 4: 'High' Priority actions overdue for more than three months**

Audit Title and Year	Service Area	Issue / Outstanding Action	Update and Reason for Revised Implementation Timescale	Officer Responsible	Original Date	Revised Date
Benefits 2017/18	Revenues and Benefits	Ensure sufficient resources and priority is allocated to overpayment recovery	Interim Revenues and Benefits Manager to consider the business case for further resourcing in this area.	Housing and Communities Manager	31/05/2018	31/12/2018

## ***Appendix 5: Limitations and Responsibilities***

### ***Limitations inherent to the internal auditor's work***

The Consortium is undertaking a programme of work agreed by the council's senior managers and approved by the Governance Committee subject to the limitations outlined below.

#### ***Opinion***

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers.

There might be weaknesses in the system of internal control that the Consortium are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to the Consortium's attention. As a consequence, the Governance Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to the Consortium's attention.

#### ***Internal control***

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

#### ***Future periods***

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

#### ***Responsibilities of management and internal auditors***

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

The Consortium endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

## GOVERNANCE COMMITTEE

20 NOVEMBER 2018

### REPORT OF HEAD OF INTERNAL AUDIT

#### INTERNAL AUDIT PLANNING 2019/20

#### 1.0 PURPOSE OF REPORT

1.1 To provide Members with an overview of the proposed Audit Planning process for 2019/20 and consult Members on risk areas for consideration in the development of the Audit Plan.

#### 2.0 RECOMMENDATIONS

2.1 **That Members agree the proposed approach to developing the Audit Plan for 2019/20.**

2.2 **That Members highlight any risk areas where the Committee requires assurance during the year ahead.**

#### 3.0 BACKGROUND

3.1 LGSS provides the Internal Audit service for Melton Borough Council and is commissioned to provide 235 audit days to deliver the annual Audit Plan.

3.2 In setting the annual Audit Plan, the Public Sector Internal Audit Standards require:

- The audit plan should be developed taking into account the organisation's risk management framework and based upon a risk assessment process undertaken with senior management and the Audit Committee;
- The audit plan should be reviewed and approved by an effective and engaged Audit Committee to confirm that the plan addresses their assurance requirements for the year ahead; and
- The Head of Internal Audit should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations.

#### 4.0 AUDIT PLANNING

4.1 In order to ensure that the Audit Plan for 2019/20 address the Council's key risks and adds value to the organisation, it is proposed that the Head of Internal Audit will identify and prioritise the areas for coverage by:

- Reviewing the Council's Risk Registers and Corporate Plan;
- Analysing coverage of Internal Audit reviews over the last four years and the assurance opinions provided following each review, to identify any assurance gaps or areas where follow up work would be of value;
- Identifying any other sources of assurance for each of the Council's key risks, which may reduce the added value of an Internal Audit review and where work could be aligned with other assurance providers;
- Identifying any areas of the Audit Universe (a list of potential areas for audit review across the Council) which have not been subject to Internal Audit review

during the last four years;

- Consultation with the Governance Committee to discuss the planning process and areas where Members require assurances from Internal Audit during 2019/20; and
- Meetings with each member of Management Team to discuss key risks and emerging risk areas for the year ahead and any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.

4.2 All potential audit coverage identified will be risk assessed and prioritised for inclusion in the Audit Plan, in consultation with Senior Management Team, based on risk, other sources of assurance available and potential value added from a review.

4.3 The resulting draft Internal Audit Plan will then be presented to the Governance Committee in March 2019 for review and formal approval.

## 5.0 **POLICY AND CORPORATE IMPLICATIONS**

5.1 The delivery of the Audit Plan allows the Committee to develop 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. The Audit Plan will be based upon 235 days, consistent with previous years.

## 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 Internal Audit Plan should provide the Committee and Senior Management Team with assurances over the Council's management of key risks. As such, coverage must be planned based upon a risk assessment and with input from the Committee and management.

## 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: 01/11/2018  
Appendices : N/A  
Background Papers: N/A  
Reference : N/A

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## GOVERNANCE COMMITTEE

20 NOVEMBER 2018

### REPORT OF HEAD OF INTERNAL AUDIT

#### COUNTER FRAUD ACTION PLAN UPDATE

##### 1.0 PURPOSE OF REPORT

1.1 To update Members on the implementation and latest status of the Counter Fraud Action Plan.

##### 2.0 RECOMMENDATIONS

2.1 That Members note the status of the Counter Fraud Action Plan.

##### 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 All actions from the last update have been completed.

##### 4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 The report allows the Committee to obtain independent assurance about the quality of the Council's internal control framework.

##### 5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

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

##### 6.0 LEGAL IMPLICATIONS/POWERS

6.1 There are no legal implications arising directly from this report

##### 7.0 COMMUNITY SAFETY

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

##### 8.0 EQUALITIES

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

9.0 **RISKS**

9.1 The 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.

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: 05/11/2018

Appendices : A – Counter Fraud Action Plan

Background Papers: N/A

Reference : N/A

**Counter Fraud Strategy Action Plan**  
**as at November 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 of Corporate Services	31 <sup>st</sup> January 2018	<b>Completed</b> 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 <sup>st</sup> March 2018	<b>Completed.</b> 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 <sup>st</sup> December 2017	<b>Completed</b> – session delivered.
A04: To include consideration of fraud risks in the planned review of the Council's corporate risk management strategy (can be informed by A01 above).	To ensure management of fraud risks is embedded corporately.	Director of Corporate Services	September 2018	<b>Completed.</b> Included in the Central Services risk register and at

Action	Objective	Lead Officer(s)	Timeframe for implementation	Update (subject to quarterly review)
				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 of Corporate Services	June 2018	<b>Completed</b> – AGS includes summary of counter fraud developments in year and risk assessments.
A06: To update online counter fraud training module on the new portal.	To embed staff awareness and ensure every officer completes a fraud awareness training session.	Head of Internal Audit / HR	September 2018	<b>Completed</b> - updated version to be made available on Learning Pool.
A07: Publicity around International Fraud Awareness Week.	To raise staff awareness and build confidence in raising concerns.	Head of Internal Audit / HR	November 2018	<b>Underway for w/c 12<sup>th</sup> November 2018</b>

## GOVERNANCE COMMITTEE

20 NOVEMBER 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 such as change of address or when new Councillors are appointed and the Council's website is updated with such amendments.

##### 3.2 Complaints

There are two complaints in progress and two that have been closed since the last meeting. At the time of writing this report, the two live complaints are under consideration by the Monitoring Officer and are at the informal resolution stage.

##### 3.3 Independent Persons and Parish Representatives

There were no responses to the recent advertisement for an Independent Person which closed on 26 October 2018. Therefore the Monitoring Officer intends to review the arrangement in light of the difficulties in recruiting to this role.

The Council continues to have one Independent Person to consult on Member complaints.

#### 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 Any financial implications are able to be met from existing resources. However following the Borough and Parish elections the registering of Members' interests and publishing these to the website will have a significant impact on the Council's democratic services resources.

## **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.



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

**IMPACT**

<b>Risk No</b>	<b>Risk Description</b>
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 as well as consultation with the Parish Representatives on Parish Councillor complaints.

**12.0 WARDS AFFECTED**

12.1 All indirectly.

Contact Officer: Adele Wylie, Monitoring Officer  
 Date: November 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/2018-19/200918/Code of Conduct – Update on Progress

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