



# MALDON DISTRICT COUNCIL

## INTERNAL AUDIT REPORT - FINAL

CORPORATE GOVERNANCE  
SEPTEMBER 2020

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate

EXECUTIVE SUMMARY .....	2
DETAILED FINDINGS .....	4
STAFF INTERVIEWED .....	9
APPENDIX I - COMMITTEE SELF-ASSESSMENTS .....	10
APPENDIX II - DEFINITIONS.....	13
APPENDIX III - TERMS OF REFERENCE.....	14

#### DISTRIBUTION

Name	Job Title
Paul Dodson	Director of Strategy, Performance and Governance and Returning Officer
Cheryl Hughes	Programmes, Performance and Governance Manager

#### REPORT STATUS LIST

Auditors:	Chris Andre
Dates work performed:	9 June - 24 June
Draft report issued:	6 July 2020
Final report issued:	27 August 2020

## EXECUTIVE SUMMARY

### LEVEL OF ASSURANCE: (SEE APPENDIX II FOR DEFINITIONS)

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	Evidence of non-compliance with some controls that may put some of the system objectives at risk.

### SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX II)

High	0
Medium	3
Low	2

### TOTAL NUMBER OF RECOMMENDATIONS: 5

### BACKGROUND:

An annual review of corporate governance feeds into the production of the Council’s Annual Governance Statement. Effective corporate governance should equip the Council with a mechanism for ensuring that the focus of activities supports the achievement of its strategic aims.

Good corporate governance extends from policy setting through to control objectives and is based on the people, ethos and culture established within the organisation. Governance processes can be more narrowly defined as comprising committee structures, schemes of delegation, higher level strategies, policies and processes.

### GOOD PRACTICE:

- Following the transformation at the Council and the revised Committees and structure, updated terms of reference and frameworks have been established
- Schemes of Delegation have been reviewed and updated in line with changes with work still progressing in some areas
- Gifts and Hospitality registers are in place within the Council with Officers seen to use these when required resulting in a positive ethos and culture
- The Council maintains a Your Right to Know page on its website, allowing for key requirements relating to the Local Government Transparency Code 2015 to be satisfied
- A review of the committee structure as well as review of the Redmond Review has resulted in recommendations being made to improve the make-up of the committees in line with best practice and this is due to go to Council in September 2020 for approval
- Improvement in areas such as methods of performance and governance reporting have been noted, such as dashboards for HR and the development of a balanced scorecard

#### KEY FINDINGS:

- There is a lack of regular governance related oversight at the Performance, Governance and Audit Committee whilst performance is focused only on strategic themes on a quarterly basis and does not include oversight of internal Service KPIs **(Finding 1 - Medium)**
- Overview and Scrutiny Committee is not meeting regularly and satisfying its purpose and remit as per its Terms of Reference **(Finding 2 - Medium)**
- Member Induction Programmes have not been formalised whilst there are no scheduled plans for Member refresher training to be delivered on an annual basis nor for Officers who are progressing up through the Council **(Finding 3 - Medium)**
- Annual performance reviews of committees have not been embedded within their Terms of References with no planned self-assessment against their objectives **(Finding 4 - Low)**
- Scheme of Delegation refers to the Interim Director of Resources who is no longer in place **(Finding 5 - Low)**

#### CONCLUSION:

Our review found that the Council has governance structure in place and is supported with key processes, controls and documentation. However, the effectiveness of committees and the breadth of their oversight is not sufficient in all cases. Additionally, induction and training for both Members and Officers has not been formalised whilst performance of committees is not reviewed on a regular basis. This has led to a final assessment of moderate assurance over the control design and moderate assurance over the control effectiveness with steps already taken to mitigate the findings and establish new controls.

## DETAILED FINDINGS

### RISK: THE CURRENT GOVERNANCE AND COMMITTEE STRUCTURES ARE NOT DISCHARGING THEIR RESPONSIBILITIES AS DEFINED BY THE CONSTITUTION AND TERMS OF REFERENCE

Ref	Significance	Finding
1	Medium	<p>The Performance, Governance and Audit Committee (PGA) has three clear areas of oversight and assurance within its remit. However, there is insufficient discussion and reporting to it in terms of both governance and performance.</p> <p>As per its terms of reference (ToR), PGA is required to scrutinise performance of the Council and service delivery. A Corporate Performance report is provided to the committee on a quarterly basis and focuses on the three strategic themes developed as part of the 2019 Corporate plan, these being: Place, Community and Prosperity. However, despite the ToR indicating oversight of performance in relation to service delivery, no reporting of service level performance is undertaken. Dashboards are able to be developed at service level, such as a detailed one for HR that has recently been produced and includes information such as sickness, starters and leavers and recruitment figures.</p> <p>Additionally, there is a lack of discussion and reporting on governance items. The Corporate Risk Report is presented quarterly, however, through review of minutes there were no other governance items presented. A Corporate Governance Working Group (CGWG) established by Council, and made up of Members and Officers, is in place and meets on an ad hoc basis when requested by Council. However, as a working group of Council, it reports directly to it so that discussions and decisions made are not seen by PGA.</p> <p>There is an increased risk that PGA does not have sufficient oversight of all aspects included within its remit resulting in a lack of assurance and non-adherence to the ToR and the Constitution.</p>

#### RECOMMENDATION:

- A) Service level performance should be challenged at PGA on a regular basis
- B) PGA should have increased level of oversight of Governance matters

#### MANAGEMENT RESPONSE:

- A) An internal 'Balance Scorecard' is in development for Extended Leadership Team review, and we will be reviewing how we then report up performance where KPIs are not met or there is a risk to delivery, as part of a meeting of the CGWG
- B) An overhaul of the Annual Governance Statement format, should it be approved at PGA committee, will include tracking of governance matters on a quarterly basis.

Responsible Officer: Cheryl Hughes

Implementation Date:     A) 31<sup>st</sup> August 2020  
                                  B) 30<sup>th</sup> September 2020

**RISK: THE CURRENT GOVERNANCE AND COMMITTEE STRUCTURES ARE NOT DISCHARGING THEIR RESPONSIBILITIES AS DEFINED BY THE CONSTITUTION AND TERMS OF REFERENCE**

Ref	Significance	Finding
2	Medium	<p>The Overview and Scrutiny Committee’s (O&amp;S) remit includes reviewing and scrutinising decisions made in connection with the discharge of Council functions, reviewing corporate policy and identifying good practice and developing learning. However, there is a lack of understanding over the role of the committee with meetings being cancelled and insufficient items on the committee’s work programme despite training on its purpose having been provided.</p> <p>Since December 2019, O&amp;S has only met once with two of the five having been cancelled due to a lack of items to discuss, whilst the others were cancelled due to Covid. Additionally, scheduled meetings due to take place in July and September 2020 have also been cancelled. As per its ToR, it is required to prepare and agree a work programme annually which contains items put forward by other Committees, Members and Corporate Leadership Team. However, of the six items on the programme, four have been recommended due to a lack of areas to scrutinise whilst the remaining two only relate to actions in place in order to identify potential areas of scrutiny.</p> <p>Due to the Committee structure in place at the Council, O&amp;S is not strictly required. In its current guise, it is not fulfilling its requirements as per the Constitution, increasing the risk of insufficient scrutiny as well as inefficient use of Member and Officer time and resource.</p>

**RECOMMENDATION:**

The role of Overview and Scrutiny should be reviewed with, either its work programme more appropriately tailored to its role and items referred to it more regularly or disband the committee with its remit subsumed by other standing committees

**MANAGEMENT RESPONSE:**

The Corporate Governance working group have also recently considered this matter, and are providing a recommendation to August Council that the committee continues but with training and a clear remit, and additionally members serving on the programme committees cannot serve on overview and scrutiny, to be implemented following Statutory Annual council.

Responsible Officer:     Cheryl Hughes

Implementation Date:    31<sup>st</sup> October 2020



**RISK: MEMBERS AND SENIOR STAFF DO NOT POSSESS THE APPROPRIATE MIX OF SKILLS AND DO NOT RECEIVE REQUIRED TRAINING AND DEVELOPMENT TO FULFIL THEIR ROLES.**

Ref	Significance	Finding
3	Medium	<p>All Members have an induction after their appointment with areas such as committee structures discussed as well as training on topics such as Planning. However, the induction process has not been formalised and is not comprehensive. Additionally, there is no scheduled training plan in place, nor an Officer training plan to support them as they progress through the Council.</p> <p>Inductions have previously been led by either the CEO or the former Director of Resources (neither of which are still with the Council) with limited numbers of other staff involved and no evidence of the previous induction process able to be provided. Whilst it covered topics such as Member roles, expected behaviours and committees, it did not provide information for Members on how to liaise with their constituents and how to access documents online, with these having to be picked up through discussion with other, more established, Members.</p> <p>With no Member training plan in place, refresher training is not scheduled. Similarly, whilst ad hoc training is in place for Officers, a specific training plan has not been established once they are, for example, a tier two manager. This training should include information on items such as Committees, Members, budget responsibilities etc.</p> <p>With insufficient inductions and a lack of formalised training plans in place, there is a risk that Officers and Members are not fully equipped with the knowledge to fulfil their roles.</p>

**RECOMMENDATION:**

- A) Formalised induction process should be established including involvement from each Director to ensure all aspects of the Council are understood
- B) Discussions should be undertaken with Members to identify training they feel would be advantageous
- C) Officer training plan developed based on progression through the Council

**MANAGEMENT RESPONSE:**

- A) The members on-boarding process is currently being reviewed as part of the wider process improvement work, and this will be factored into this
- B) In training run September 2019, we did encourage members to identify training needs, and Chairs to identify training specific to their committee. We will create a form to complete and advertise this to members to scope a 'continual' development plan
- C) In March 2020, we ran training for Tier 2 managers on committee processes, and we will look to roll this out to other staff and include in the wider staff induction process

Responsible Officer: Cheryl Hughes

Implementation Date: 30<sup>th</sup> September 2020

**RISK: MEMBERS AND SENIOR STAFF DO NOT POSSESS THE APPROPRIATE MIX OF SKILLS AND DO NOT RECEIVE REQUIRED TRAINING AND DEVELOPMENT TO FULFIL THEIR ROLES. PERFORMANCE OF GOVERNANCE STRUCTURES ARE NOT REGULARLY REVIEWED TO IDENTIFY WAYS TO ENHANCE THEM FOR THE FUTURE**

Ref	Significance	Finding
4	Low	<p>Following the transformation project at the Council and the implementation of the new committee structure, a six-month review was due to be undertaken to assess its effectiveness. Whilst COVID has delayed this, a draft paper has been produced and was provided to Members in June 2020 for comment. However, no further, more regular, reviews of the performance of committees are due to take place or have been written into their ToRs.</p> <p>Annual reviews of performance allow for committees to ensure they are operating in line with the remit stated in their ToR and are achieving the objectives required. Templates for committee self-assessments are included at appendix I.</p> <p>Without reviewing the performance of committees there is the increased risk that they are not operating effectively and fulfilling their objectives resulting in a lack of effective governance</p>

**RECOMMENDATION:**

Annual committee self-assessments should be developed and tailored to the individual committees with this written into their ToRs and all issues actioned.

**MANAGEMENT RESPONSE:**

This can be accommodated, but the officer capacity to support this and make these changes will need to be reviewed. We will look to implement this suggestion alongside the newly appointed committee chairs following Statutory Annual Council

Responsible Officer: Cheryl Hughes

Implementation Date: 30<sup>th</sup> November 2020



**RISK: THERE IS INAPPROPRIATE DELEGATION OF DECISION-MAKING AND TRANSACTIONAL AUTHORITY TO DIRECTORS AND STAFF**

Ref	Significance	Finding
5	Low	<p>The Council's Scheme of Delegation has been updated following the transformation and is published on the Council's website. However, it still refers to the Interim Director of Resources who is no longer in place.</p> <p>The Scheme of Delegation divides responsibilities between the three Directors as well as other key roles and if roles are not correctly recorded there is the risk that instances of delegation are incorrect.</p>

**RECOMMENDATION:**

Review the Scheme of Delegation to confirm all job titles are correctly recorded and ensure no temporary delegations were recorded during the period of change at the Council.

**MANAGEMENT RESPONSE:**

These updates are currently in progress as part of wider constitutional housekeeping exercises

Responsible Officer: Cheryl Hughes

Implementation Date: 31<sup>st</sup> August 2020

## STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Name	Job Title
Cheryl Hughes	Programmes, Performance and Governance Manager
Paul Dodson	Director of Strategy, Performance and Governance and Returning Officer
Richard Holmes	Director of Service Delivery and Head of Paid Service
Chris Leslie	Director of Resources
Eloise Howard	Specialist: Performance
Simon Quelch	Lead Legal Specialist and Monitoring Officer
Stuart Jennings	Corporate Governance Project Officer and Deputy Monitoring Officer

## APPENDIX I - COMMITTEE SELF-ASSESSMENT

The Good Practice Questions below form an Audit Committee self-assessment developed by CIPFA which can be tailored to Performance, Governance and Audit Committee. Below that is an example of a more general committee self-assessment which can be utilised for other standing committees.

### 1. Audit Committee Self-Assessment

	Good Practice Questions	Yes	Partly	No	Comments
<b>Audit Committee Purpose and Governance</b>					
1	Does the authority have a dedicated audit committee?				
2	Does the audit committee report directly to full council? (Applicable to local government only.)				
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?				
4	Is the role and purpose of the audit committee understood and accepted across the authority?				
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?				
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?				
<b>Functions of the Committee</b>					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?				
	- Good governance				
	- Assurance framework				
	- Internal audit				
	- External audit				
	- Financial reporting				
	- Risk management				
	- Value for money or best value				
	- Counter-fraud and corruption				
	- Supporting the ethical framework				

## 2. Committee Self-Assessment

Ref.	Statement	1 - Strongly Disagree	2	3	4	5 - Strongly Agree
<b>1</b>	<b>Goals or Purpose of Committee</b>					
A	All committee members understand the goals and purpose of our committee.					
B	The committee members agree on the goals and purpose of the committee.					
C	There is alignment between our goals and purpose and the actions taken and/or the decisions made by the committee.					
<b>2</b>	<b>Support for the Committee</b>					
A	Our committee has adequate resources (for example, budget, people) to support its function					
B	Our committee has the respect and support of key stakeholders within our organization.					
<b>3</b>	<b>Time and Location of Meetings</b>					
A	Our meetings are held regularly and with appropriate frequency.					
B	Our meetings begin and end as scheduled.					
C	The length of our meetings is appropriate and respectful of the agenda.					
D	We receive the meeting agenda and materials in advance of the meeting to allow for appropriate review and preparation.					
E	We consistently use our meeting time well. Issues get the time and attention proportionate to their importance.					
F	The location where our meetings are held is conducive to positive group interaction and discussion.					
<b>4</b>	<b>Attendance</b>					
A	Attendance at our meetings is consistent and members arrive on time.					
B	Attendance at our meetings is evaluated as a criterion for continued membership on the committee.					
<b>5</b>	<b>Recording / Minutes</b>					
A	The minutes of our meetings are accurate and reflect the discussion, next steps and/or action items articulated by the members.					
<b>6</b>	<b>Membership</b>					
A	Our membership represents the talent and skill set required to fulfil the goals and purpose of the committee					
B	Our members treat each other with respect and courtesy.					

C	Our members come to meetings prepared and ready to contribute.					
D	As a general rule, when I speak I feel listened to and that my comments are valued.					
<b>7</b>	<b>General Comments</b>					
A	What works well in the meetings					
B	What I would like to see improve at our meetings					
C	What areas should the committee focus on in the future?					

## APPENDIX II - DEFINITIONS

APPENDIX II - DEFINITIONS				
LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
<b>Substantial</b>	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
<b>Moderate</b>	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
<b>Limited</b>	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
<b>No</b>	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

### RECOMMENDATION SIGNIFICANCE

<b>High</b>	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
<b>Medium</b>	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
<b>Low</b>	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.



## APPENDIX III - TERMS OF REFERENCE

### PURPOSE OF REVIEW:

The purpose of this audit is to review the Council's corporate governance arrangements to ensure they comply with best practice and help deliver the outcomes required by the District.

### KEY RISKS:

- The current governance and committee structures are not discharging their responsibilities as defined by the Constitution and Terms of Reference
- The governance structures are not supported by adequate policies, terms of reference and frameworks to support effective operation
- Members and senior staff do not possess the appropriate mix of skills and do not receive required training and development to fulfil their roles.
- There is inappropriate delegation of decision-making and transactional authority to directors and staff
- There is not an appropriate culture and ethos within the Council to demonstrate a commitment to applying appropriate standards of business and compliance with the Local Government Transparency Code 2015.
- Performance of governance structures are not regularly reviewed to identify ways to enhance them for the future

## SCOPE OF REVIEW:

The following areas will be covered as part of this review:

- Review whether an effective council, committee and reporting structure is in place that enables decisions to be taken whilst engaging Members and the public.
- Confirm that committee roles are appropriate through Terms of Reference for each committee and group and having clear role descriptions for Lead Members.
- Confirm workplans are maintained for Executive / Committees through minuting and action tracking.
- Review the annual governance statement and confirm that it is compliant with the Code of Corporate Governance
- Confirm if the Council has sought to put into place good practice ahead of the recommendations from the Redmond review
- Confirm that Members and Senior staff possess the appropriate mix of skills and receive any required training and development to fulfil their roles.
- Confirm if decision-making and transactional authority to directors and staff has been made appropriately through Financial Regulations, Scheme of Delegation, etc.
- Confirm if governance arrangements support an appropriate culture and ethos within the Council through policies relating to codes of conduct, gifts and hospitality, fraud and corruption, whistleblowing, etc and therefore demonstrate a commitment to applying appropriate standards of business and compliance with the Local Government Transparency Code 2015.
- Confirm if there is regular review of the performance of the governance structures (which may be via self-assessment) to identify ways to enhance them for the future.

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

## APPROACH:

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control through use of a range of tools and techniques.

**FOR MORE INFORMATION:****Greg Rubins**

Greg.Rubins@bdo.co.uk

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright ©2019 BDO LLP. All rights reserved.