



Governance Committee

Agenda and Reports

For consideration on

Thursday, 28th June 2012

In Committee Room 1, Town Hall, Chorley

At 6.00 pm

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20 June 2012

Dear Colleague

GOVERNANCE COMMITTEE - THURSDAY, 28TH JUNE 2012

You are invited to attend a meeting of the Governance Committee to be held in Committee Room 1, Town Hall, Chorley on Thursday, 28th June 2012 commencing at 6.00 pm.

AGENDA

1 **Apologies**

2 **Declarations of Any Interests**

Members are reminded of their responsibility to declare any personal interest in respect of matters contained in this agenda. If the interest arises only as result of your membership of another public body or one to which you have been appointed by the Council then you only need to declare it if you intend to speak.

If the personal interest is a prejudicial interest, you must withdraw from the meeting. Normally you should leave the room before the business starts to be discussed. You do, however, have the same right to speak as a member of the public and may remain in the room to enable you to exercise that right and then leave immediately. In either case you must not seek to improperly influence a decision on the matter.

3 **Minutes - Audit Committee (Pages 1 - 4)**

To confirm the minutes of the meeting of the Audit Committee held on 15 March 2012 (enclosed)

4 **Statement of Accounts 2011/12**

Report of the Head of Shared Financial Services (to follow)

5 **Treasury Management Out-turn 2011/12**

Report of the Head of Shared Financial Services (to follow)

6 **Annual Governance Statement (Pages 5 - 16)**

Report of the Head of Shared Assurance Services (enclosed)

7 **Governance Committee Update 2011/12 (Pages 17 - 30)**

Report of the Audit Commission (enclosed)

8 **Data Quality Policy 2012/13 (Pages 31 - 48)**

Report of the Chief Executive (enclosed)

9 **Internal Audit Annual Report (Pages 49 - 64)**

Report of the Head of Shared Assurance Services (enclosed)

10 **Compliance with International Auditing Standards (Pages 65 - 78)**

Report of Shared Assurance Services (enclosed)

11 **The Standards Regime after 1 July 2012 (Pages 79 - 100)**

This report has been enclosed for Members information and is being considered at Executive Cabinet on 21 June with a view to being approved at Council.

12 **Guidance to Councillors Serving on Outside Bodies (Pages 101 - 106)**

Report to seek approval for a guidance note for councillors serving on outside bodies

13 **Any other item(s) that the Chair decides is/are urgent**

Yours sincerely



Gary Hall
Chief Executive

Dianne Scambler
Democratic and Member Services Officer
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Distribution

1. Agenda and reports to all Members of the Governance Committee (Paul Leadbetter (Chair) and Julia Berry, Graham Dunn, Anthony Gee, Marie Gray, June Molyneaux and Alan Platt for attendance.
2. Agenda and reports to Gary Hall (Chief Executive), Chris Moister (Head of Governance), Susan Guinness (Head of Shared Financial Services), Garry Barclay (Head of Shared Assurance Services), Clare Ware (Shared Assurance Services Internal Audit Manager), David Wilkinson (Performance Officer) and Dianne Scambler (Democratic and Member Services Officer) for attendance.

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આ માહિતીનો અનુવાદ આપની પોતાની ભાષામાં કરી શકાય છે. આ સેવા સરળતાથી મેળવવા
માટે કૃપા કરી, આ નંબર પર ફોન કરો: 01257 515822

ان معلومات کا ترجمہ آپ کی اپنی زبان میں بھی کیا جاسکتا ہے۔ یہ خدمت استعمال کرنے کیلئے براہ مہربانی اس نمبر پر ٹیلیفون
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Audit Committee**Thursday, 15 March 2012**

Present: Councillor Anthony Gee (Chair), Councillor Julia Berry (Vice-Chair) and Councillors Marie Gray, Paul Leadbetter, Pauline Phipps, Alan Platt, Dave Rogerson and Geoffrey Russell

Officers Present: Gary Hall (Director of Transformation), Susan Guinness (Head of Shared Financial Services), Garry Barclay (Head of Shared Assurance Services), Clare Ware (Shared Financial Services Internal Audit Manager), Rebecca Huddleston (Performance Improvement Manager) and Dianne Scambler (Democratic and Member Services Officer)

Also in attendance: Karen Murray (Audit Commission) and Peter Buckley (Audit Commission)

12.AU.47 APOLOGIES FOR ABSENCE

No apologies for absence were received.

12.AU.48 DECLARATIONS OF ANY INTERESTS

There were no declarations of interest.

12.AU.49 MINUTES

RESOLVED – That the minutes of the Audit Committee meeting held on 19 January 2012 be held as a correct record for signing by the Chair.

12.AU.50 INTERNAL AUDIT PLAN 2012 -13

The Committee received a report of the Head of Shared Services that summarised and explained the basis of the Internal Audit Plan for 2012/13 that had been compiled in consultation with Strategy Group and extensive consultation within each service.

The Internal Audit Plan contained the programme of reviews for the next financial year and had been constructed following a risk assessment which considered a range of risk factors, such as items in the Corporate Risk Register, significant changes in staffing, systems and procedures and the length of time that an area was last audited.

Members asked whether any audit checks were carried out on areas that were continually assessed as being low risk. Internal Audit advised that they would still continue to carry out checks on a wide range of different activities across the Council.

RESOLVED – That the report be noted.

12.AU.51 ANTI FRAUD CORRUPTION POLICIES

The Head of Shared Assurance presented the Committee with two of the Councils anti fraud and corruption policies that had been recently revised and updated.

The Anti-Fraud and Corruption Strategy explained the range of situations where fraud of corruption can arise and advised who suspicions should be reported to in each case. This document sets out the key roles and responsibilities for officers and Members of the Council.

The Anti-Fraud Response Plan gives an explanation about how, and by whom suspected cases of fraud and corruption would be investigated.

The Audit Committee has responsibility for overseeing the Council's governance arrangements and had previously approved a Local Code of Corporate Governance which referred to policies and procedures for the prevention, detection and investigation of fraud and corruption, which include:

- Anti Fraud and Corruption Strategy
- Codes of Conduct for Members and Officers
- Whistle Blowing Procedure
- Anti-Money Laundering Procedure
- Guidance to staff on surveillance under the Investigatory Powers Act
- Disciplinary Policy
- Anti-Fraud Response Plan.

The documents had been revised to reflect the recent organisational changes in the Authority and there was now a need to re-enforce the provisions of the Bribery Act 2010 within the Council's policies.

To raise awareness of these documents and ethical standards generally, both officers and Members had recently been invited to participate in an on-line exercise on the Loop and Inthknow.

RESOLVED – 1. That the report be noted.

2. That the Chair of Audit Committee write to all Members of the Council to encourage them to complete the on-line Anti-Fraud and Corruption awareness exercise on the Loop.

12.AU.52 AUDIT COMMITTEE UPDATE 2011/12

The Audit Commission submitted an update report to Members on the Audit Committee. The purpose of the document was to provide the Committee with the progress in delivering their responsibilities as the Council's external auditors. It also included an update on the externalisation of the Audit Practice.

In addition the report sought to highlight the key emerging national issues and developments which may be of interest to the Members of the Audit Committee and concluded by asking a number of questions that the Committee may wish to consider in order to assess whether they had received sufficient assurance in emerging issues.

It was reported that the Interim audit work on the Council's Financial Statements and VFM conclusion had commenced in February 2012. The draft accounts would commence in July and they aimed to be complete and issue their opinion in September 2012.

The contracts have now been awarded to the providers for the externalisation of the Audit Practice and Members were informed that a five year contract had been awarded to Grant Thornton (UK)LLP to cover the four contract areas of the North West, West Midlands, London (South) Surrey and Kent and South West, with the appointments starting on 1 September 2012.

Following the award of the contracts, the Commission intended to re-visit the audit fees for 2012/13 audits which had been consulted on in November 2011 and further information would be issued shortly.

The Audit Practice staff in each lot area will in the main transfer to the successful bidders on 31 October 2012 and the Chair wished all the staff of the Audit Commission the best in their future roles.

RESOLVED – That the report be noted.

12.AU.53 STRATEGIC RISK UPDATE REPORT

The Chief Executive submitted a report providing Members with a Strategic Risk Register update, The Register included the twelve strategic risks to the Council, including the actions in progress as well as actions planned to further mitigate them.

The political, economic and financial environment in which the Council operates is constantly changing, therefore the Strategic Risk Register needs to be updated to reflect any new or emerging strategic risks facing the Council.

The management of risk is clearly embedded within the Council. Whilst the Strategic Risk Register set out the main strategic risks there are a number of other processes that contribute to effective risk management at all levels of the organisation.

The updated risk register included one new risk, delays in the implementation of new technology having a negative impact on the performance satisfaction and the ability of the organisation to drive change, and one risk from last year that had been split into two to separate, satisfaction with the Council from staff satisfaction.

One of the risks, regarding a lack of resources had been reduced from a high level risk to a lower level risk, as this year the council had resources to invest in growth terms. Members asked how this had been achieved considering the present economic climate and the Chief Executive explained that this had been down to a combination of maintaining prudent finances by the Council, finding further savings and the receipt of additional new homes bonus funding.

RESOLVED – That the report be noted.

Chair

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Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	28 June 2012

ANNUAL GOVERNANCE STATEMENT

PURPOSES OF THE REPORT

- 1 To remind the Governance Committee of the regulatory framework requiring the Council to continuously review its system of governance and to formally publish an Annual Governance Statement (AGS) alongside its annual financial statements.
- 2 To explain the structure and processes which are in place within the Council to enable the AGS to be produced.
- 3 To invite Members to review and approve the draft AGS (Appendix) which has been produced in accordance with guidelines issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).
- 4 The approved AGS will then need to be formally signed-off by the Leader & Chief Executive and be submitted for external audit alongside the 2011/12 financial statements.

RECOMMENDATIONS

- 5 That members review the draft AGS which has been produced in accordance with CIPFA / SOLACE guidelines.
- 6 That members recommend that the AGS be formally signed off by the Leader and Chief Executive before being submitted for external audit alongside the 2011/12 financial statements.

EXECUTIVE SUMMARY OF REPORT

- 7 The Council is required to conduct an annual review of the effectiveness of its system of governance and publish an AGS each year alongside its financial statements.
- 8 CIPFA and SOLACE have issued guidance explaining the required format of the AGS and the self-assessment process, which councils must undertake in order to compile it.
- 9 This report contains a draft AGS for 2012 for members' approval and gives assurance that it has been properly compiled in accordance with the prevailing guidance.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

The report relates to the following strategic objectives:

Strong Family Support		Education and Jobs	
Being Healthy		Pride in Quality Homes and Clean Neighbourhoods	
Safe Respectful Communities		Quality Community Services and Spaces	
Vibrant Local Economy		Thriving Town Centre, Local Attractions and Villages	
A Council that is a consistently Top Performing Organisation and Delivers Excellent Value for Money			X

BACKGROUND

- 10 Under the Accounts and Audit (Amendment) Regulations 2011 every Council is required to conduct an annual review of the effectiveness of its system of governance and publish an AGS each year alongside its financial statements.
- 11 CIPFA and SOLACE have issued a Framework and supporting guidance entitled "Delivering Good Governance in Local Government", under which councils are required to:
 - develop and maintain an up-to-date local code of governance consistent with certain "core principles" set out in the Framework;
 - review their existing governance arrangements against the Framework;
 - prepare a governance statement in order to report publicly on the extent to which the Council complies with its own code on an annual basis including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.
- 12 The CIPFA SOLACE Framework defines proper practice for the form and content of the AGS, which subsumes the earlier requirement to prepare and publish an annual Statement on Internal Control (SIC).
- 13 The Framework requires the most senior officer (chief executive or equivalent) and the most senior member (leader or equivalent) to sign the AGS. They must be satisfied that the document is supported by reliable evidence and accurately reflects the Council's system of governance.
- 14 The AGS is a corporate document and should involve (in addition to the most senior officer and the most senior member as signatories) a variety of people charged with delivering governance, including:
 - the monitoring officer in meeting his/her statutory responsibilities;
 - the responsible financial officer who is responsible for the accounting control systems and the preparation of the statement of accounts;
 - directors assigned with the ownership of risks and the delivery of services;
 - members (e.g. through audit or scrutiny committees); and
 - others responsible for providing assurance (e.g. Internal & External Audit).

- 15 Thus as a corporate document, the AGS should be owned by all senior officers and members of the authority. A shared approach should be taken to compiling the AGS because any delegation to a single individual or section will dilute its significance and encourage other people to distance themselves from their proper responsibilities.
- 16 The guidance also states the need for a review body in the process such as the Governance Committee, which should be charged with critically reviewing the AGS and its supporting documentation. It is vital that this review body remains independent from the AGS compilation and is given real powers to make recommendations and ultimately changes to the process as it sees fit.

CORPORATE SELF-ASSESSMENT

- 17 A corporate group consisting of the following officers contributed to the self-assessment and draft AGS:
- Chief Executive (S151 Officer)
 - Head of Governance (Monitoring Officer)
 - Head of Policy & Communications
 - Head of Human Resources & Organisational Development
 - Head of Shared Assurance Services
 - Internal Audit Manager
- 18 Section 5 of the Appendix discloses what the management group consider to be main opportunities to enhance the Council's governance arrangements taking account of organisational changes and the corrective action implemented following last year's self assessment. This view has been derived from the group's cumulative knowledge of the Council's system of governance and the views of independent assurance sources such as External Audit.
- 19 In 2010, a new requirement to assess the role of the Chief Finance Officer was introduced, to ensure that the role is undertaken to professional standards and that the Council ensures that appropriate support arrangements are provided to enable the CFO to fulfil his duties. This has again been undertaken for 2011/12.

SERVICE ASSURANCE STATEMENTS

- 20 In addition to the corporate self-assessment, assurance has also been obtained from Heads of Service, as it is they who are responsible for implementing the respective governance systems and procedures within their service areas. Service Assurance Statements have been compiled which require Heads of Service to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues.
- 21 The completed Service Assurance Statements have been analysed to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues. Again, any significant non-compliance issues emerging from the Service Assurance Statements have also been included in Section 5 of the AGS at the Appendix.

FURTHER ACTIONS

- 22 Section 5 of Appendix 1 lists the actions that will be taken to address all the improvement opportunities that have been identified in the corporate self-assessment and service assessments. These actions will be fed into the Business Improvement Plans of the services concerned and progress will be reported to the Committee during the course of the new financial year.

IMPLICATIONS OF REPORT

- 23 This report has no implications for specific services. The matters raised in the report are cross cutting and impact upon the authority as a whole

GARRY BARCLAY
HEAD OF SHARED ASSURANCE

Background Papers			
Document	Date	File	Place of Inspection
Accounts & Audit Regulations	2011	Shared Assurance Services	Civic Centre Leyland
Delivering Good Governance in Local Government (CIPFA / SOLACE)	2007		

Report Author	Ext	Date	Doc ID
Garry Barclay	(01772) 625272	14/6/2012	2012 AGS.doc

APPENDIX

CHORLEY COUNCIL

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

Chorley Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Good Governance in Local Government*. The Council also complies with *CIPFA Statement on the Role of the Chief Finance Officer in Local Government 2010*.

A copy of the Code is on the Council's website at www.chorley.gov.uk. This statement explains how the Council complies with the Code and also meets its statutory requirements under the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

The governance framework comprises the culture, values, systems and processes by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

3. The Governance Framework

The following paragraphs describe the key elements of the systems and processes that comprise the authority's governance arrangements:

Identifying & communicating the authority's vision of its purpose and intended outcomes for citizens and service users

- The Corporate Strategy sets out the Council's vision, priorities and strategic objectives. These are derived from the Sustainable Community Strategy, which clearly articulates a shared vision for the Borough of Chorley.
- Long term outcomes and interim performance targets have been established for each strategic objective.
- The Community Strategy and Corporate Strategy are published widely and are also available on the Council website and intranet.

Reviewing the authority's vision & its implications for the authority's governance arrangements

- The Community Strategy and Corporate Strategy are regularly reviewed and the Council's vision and strategic objectives have been refined to reflect changing aspirations, both locally and nationally.
- A performance management framework is in place for both the Council and the Local Strategic Partnership (LSP), the latter providing clear arrangements for joint working, including specific LSP projects.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources

- Service level Business Improvement Plans contain key projects that are geared towards achieving overall strategic objectives. They also contain challenging targets in respect of both performance indicators and local performance targets.
- This system is in turn supported by individual staff performance and development reviews to ensure that everyone understands their individual and service unit contribution to corporate goals.
- The Council has an in-house performance management system from which reports are produced to ensure that trends in performance can be identified and corrective action introduced if appropriate. This is supported by a robust data quality control system, which ensures the accuracy of the reported information.
- Performance against targets is monitored at officer and member levels, by Strategy Group, Executive Cabinet, Overview & Scrutiny and the Governance Committee.

Defining & documenting the roles & responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

- The Council's Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.
- Policy and decision-making is facilitated through the Executive Cabinet supported by a framework of Statutory and Overview & Scrutiny Committees.
- The Constitution also sets out the situations where senior officers of the Council can make decisions under delegated authority
- The Council publishes a Forward Plan containing details of key decisions to be made by the Council, its committees and chief officers under their delegated powers (and has specified what is significant expenditure in terms of the definition of a key decision).

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

- The Council's Constitution contains formal Codes of Conduct that articulate the standards of ethical behaviour that are expected from members and officers. These incorporate procedures for the disclosure of personal interests and offers of gifts and hospitality.
- Both members and officers have been extensively briefed on personal conduct and disclosure requirements.
- An automated system has been established on the Council's intranet for officer disclosures.
- The Code of Conduct for Members will be amended in line with the Localism Act and additional reference will be made to this in Section 5 below.

Reviewing & updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls to manage risks

- The Head of Governance arranges for the review of the Council Constitution on an annual basis. This includes a review of Standing Orders, Contract Procedure Rules, Financial Procedure Rules and Responsibilities for Functions.
- The standard member reporting procedure requires a consideration of risk for all significant decisions. This is also underpinned by a robust structure and system for identifying and evaluating all significant business risks at both the strategic and operational levels, the key elements of which are a Strategic Risk Register and service level risk assessments built into the business planning process.

Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees - Practical Guidance for Local Authorities

- The Council has appointed a Governance Committee whose terms of reference comply with the latest CIPFA guidelines. These extend to monitoring the Council's governance and risk management framework and include reviewing the adequacy of the governance framework.

Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful

- The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:
 - Monitoring Officer;
 - Section 151 Officer;
 - Internal Audit;
 - External Audit;
 - Performance management system.
- The Council has designated the Head of Governance as Monitoring Officer, who plays a key role in ensuring compliance. After consulting with the Chief Executive, the Monitoring Officer will report to the full Council if he/she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
- The standard committee reporting procedure and template now requires the monitoring officer to consider legality and compliance in respect of all decisions made by members.

Arrangements for whistle blowing and for receiving and investigating complaints from the public

- The Council has an up to date Whistle Blowing Policy, which has been publicised via the Council web site, intranet and other channels. All members of staff are briefed on the Policy including how, and whom they should make a disclosure.
- The Council also operates a formal Corporate Complaints Procedure, which has been widely publicised.

Identifying the development need of members and senior officers in relation to their strategic roles, supported by appropriate training

- Formal induction programmes and training & development plans are in place for both members and senior officers.
- All senior officers participate in the corporate staff appraisal scheme.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

- Strategies are in place in respect of communications, marketing and consultation.

Incorporating good governance arrangements in respect of partnerships and other group working as identified in the Audit Commission's report on the governance of partnerships, and reflecting these in the authorities overall governance arrangements

- The Council has adopted a formal Framework for Partnership Working which specifies the minimum governance requirements in respect of all the Council's partnerships and the enhanced requirements in respect of its key partnerships.

4. **Review of Effectiveness**

Chorley Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report and also by comments made by the external auditors and other review agencies and inspectorates.

The following paragraphs describe the processes that have been applied in maintaining and reviewing the effectiveness of the Council's governance framework:

Corporate Level Review

- A management group consisting of the following officers has been established to oversee the compilation of the Annual Governance Statement:
 - Chief Executive (S151 Officer)
 - Head of Governance (Monitoring Officer)
 - Head of Policy & Communications
 - Head of Human Resources & Organisational Development
 - Head of Shared Assurance Services
 - Internal Audit Manager

- The group has conducted a detailed corporate level review of the Council's system of governance in accordance with the guidance provided by CIPFA / SOLACE.

Service Level Review

- The Council has also introduced Service Assurance Statements requiring Heads of Service to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues. These are analysed to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues and as such need to be included in the Annual Governance Statement.

Monitoring Officer

- As the Council's Monitoring Officer, the Head of Governance has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Monitoring Officer will report and recommend to Council any proposed amendment to the Constitution, which falls outside the Monitoring Officers delegated powers, for adoption.

Scrutiny Committee

- The Council has an Overview and Scrutiny Committee which can challenge a decision which has been made by the Executive Cabinet or a statutory committee but not yet implemented, to enable them to consider whether the decision is appropriate.

Governance Committee

- The Council has appointed a Governance Committee whose terms of reference comply with the latest CIPFA guidelines. These extend to monitoring the Council's governance and risk management framework and include reviewing the adequacy of the governance framework.

Standards Sub-Committee

- The Council has appointed a Standards Sub-Committee of the Governance Committee whose terms of reference comply with the prevailing national guidance on standards and codes of conduct for members.

Internal Audit

- Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Service. The report includes recommendations for improvements that are included within a Management Action Plan and require agreement or rejection by service managers. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.
- The Internal Audit Annual Report contains a statement / judgement on overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment).
- The Internal Audit Team is subject to on-going inspection by the Council's external auditors, who place reliance on the work carried out by them.

External Audit

- In accordance with the Audit Commission's Code of Audit Practice, the Council receive regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

5. Enhancing Our Governance Arrangements

The Council will take the following steps in the forthcoming financial year to build and strengthen our corporate governance arrangements:

- Review and update the Council's approach to consulting with and providing feedback to the local community and other stakeholders on service design & delivery.
- Review and update the Council's Communications Strategies and Policies.
- Review & update the Framework for Partnership Working.
- Undertake a review of the role and effectiveness of the Scrutiny Function.
- Undertake a review of compliance with the revised CIPFA Standards on Audit Committees once they are published.
- Introduce a Local Code of Conduct for Members on Standards following the publication of new national guidance, including procedures in relation to the declaration of interests and for the investigation and hearing of complaints.
- Review and re-issue the Protocol on Member/Officer Relations.
- Undertake a members' skills analysis and update the member development programme especially to cater for the needs of incoming members and those taking on new, key roles.
- Raise officers' awareness of the Council's key governance policies and procedures including those relating to anti-fraud and corruption.
- Set & monitor consistent standards for productivity throughout the organisation following a baseline assessment of current productivity levels.
- Review and update data quality procedures in relation to the checking and validation of input.
- As a key element of the Council's Information Management Strategy, review the current procedures for document management, storage and retention.
- Utilise the asset management module in Customer Services to incorporate the Council's ICT hardware inventory.

The majority of the above improvement actions are not new and represent the need to further embed or update frameworks or systems that have been previously introduced.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements through the corporate business improvement planning process. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Cllr. A. Bradley
Leader of the Council

G Hall
Chief Executive & Section 151 Officer

C Moister
Head of Governance & Monitoring Officer

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Governance

Committee

update

Chorley Borough Council

Audit 2011/12

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Introduction

- 1 The purpose of this paper is to provide the Governance Committee with a report on progress in delivering our responsibilities as your external auditors. It includes an update on the Audit Commission's work programme and scale of fees for 2012/13.
- 2 If you require any additional information regarding the issues included within this briefing, please feel free to contact me or your Audit Manager using the contact details at the end of this update.
- 3 Finally, please also remember to visit our website (www.audit-commission.gov.uk) which now enables you to sign-up to be notified of any new content that is relevant to your type of organisation.

Fiona Blatcher

Engagement Lead

19 June 2012

Progress report

Financial statements

4 My 2011/12 Audit Plan sets out my approach to the audit and risks I have identified. I presented my Audit Plan to the Audit Committee in January 2012.

5 My audit of your financial statements will commence in July. I will report the findings from my audit to the Governance Committee in September 2012.

6 My team is maintaining close liaison with the Council's finance team around technical issues, closedown timetable and audit requirements. These activities minimise the likelihood of any unexpected significant accounting issues arising later on in the closedown or audit process.

7 There are no issues or new audit risks which I wish to bring to your attention.

VFM conclusion

8 The criteria against which I make my assessment of your VFM arrangements have remained unchanged from last year and are:

- the organisation has proper arrangements in place to secure financial resilience; and
- the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

9 I am currently undertaking my review of the Council's arrangements for securing Value for Money. I will also consider your final outturn position for 2011/12 and progress in delivering the 2012/13 budget before I report my findings in my Annual Governance Report in September.

Audit Commission work programme and scales of fees 2012/13

10 In April 2012 the Audit Commission published its “work programme and scale of fees for 2012/13”. This document sets out the work the Audit Commission and its auditor’s plan to undertake during 2012/13 and the associated scale of fees.

11 There are no changes in the work programme auditors are expected to undertake at each body, namely:

- complete a Code audit taking into account the auditor’s local assessment of risk
- audit of the Council’s Whole of Government Accounts return
- the value for money conclusion criteria remain “securing financial resilience” and “prioritising resources”
- certification work on a reducing number of claims and returns.

12 The Commission expects to publish a small number of national reports on the results of the audits at local government, fire and rescue authorities and police bodies.

13 The fees to cover the above work and the wider work of the Audit Commission have now been set and published. These are known as the scale fees. The fees set represent a 40% reduction on previous years and have been set for the next five years. Additionally for certification work, the Audit Commission has replaced the previous schedule of maximum hourly rates with a composite indicative fee. This fee is based on actual certification fees for 2010/11.

14 The reductions in fee result from the significant reductions in the Audit Commission’s costs following internal efficiencies and the savings achieved from the outsourcing of its in-house audit practice. The impact for Chorley Borough Council is shown below:

Table 1: **Fee scales**

Table header	2011/12	2012/13 and next four years	Difference	
	£	£	£	%
Main audit scale fee	99,066	59,440	-39,626	-40
Certification work	20,000 (estimate)	20,000*	0	0
Total	119,066	79,440	-39,626	-40

**Note the scale fee for the certification work still includes the fee for auditing the Housing and Council Tax Benefits claim. This requirement may change with the move to the Universal Benefits regime.*

15 It is a matter for the auditor to decide the work necessary to complete the audit, and subject to approval by the Audit Commission, to seek to agree a variation to the scale fee with the audited body. As the 2012/13 main audit and certification scale fees for individual bodies are based on the fee for 2011/12, they already reflect the auditor's assessment of audit risk and complexity. Therefore the Audit Commission expects variations from scale fee to occur only where these factors are significantly different from those identified and reflected in the 2011/12 fees.

16 The Audit Commission is consulting all audited bodies about the appointment of their auditor for the start of the 2012/13 and future years' accounts. The appointments will start on 1 September 2012. Following this appointment, the Council's auditor will complete their risk assessment for the purposes of completing the audit and will provide their audit plan for agreement with the Council.

Further information is available at: http://www.audit-commission.gov.uk/audit-regime/audit-fees/201213fees/pages/individualfees_lgfire.aspx

Other matters of interest

National Fraud Initiative (NFI) 2010/11 National Report

17 On Wednesday 16 May 2012 the Audit Commission published the National Fraud Initiative (NFI) 2010/11 National Report. The National Fraud Initiative 2010/11 in England has identified almost £229 million of fraud, overpayments and errors. This is made up of £139 million for 2010/11 plus £90 million of outcomes not previously reported from earlier exercises. Over the same time period, £47 million of fraud, overpayments and error were identified in Scotland, Wales and Northern Ireland, raising the UK-wide total to £275 million traced.

18 Since the initiative's start in 1996, the programme has helped detect £939 million, taking it a step closer to achieving a £1 billion payback to the public purse since the initiative began.

19 The NFI is a data matching exercise. It compares information held by and between around 1,300 organisations including councils, the police, hospitals and 77 private companies. This helps to identify potentially fraudulent claims, errors and overpayments, all hosted on a secure website. When there is a match, there may be something that warrants investigation. For example, when data matching shows a person listed as dead and also in receipt of a pension, the relevant body will investigate and, if appropriate, stop pension payments.

20 The report is supported by a Council Members' briefing and checklist, and case studies of successful outcomes both in the private sector and public sector.

NFI Work Programme and Scale of Fees 2012/13

21 On Wednesday 30 May 2012 the Audit Commission published the NFI Work Programme and Scale of Fees 2012/13. The Audit Commission consulted on proposals for the 2012/13 NFI work programme and scale of fees from 10 February to 23 March 2012. The consultation did not propose to introduce any new mandatory data matches in the NFI 2012/13, so the main work programme will remain unchanged from NFI 2010/11.

22 In recognition of the financial pressures that public bodies are facing in the current economic climate, the consultation proposed that the scale of fees for mandatory participants would remain the same as for NFI 2010/11.

23 Following the consultation, the NFI Work Programme and Scale of Fees 2012/13 confirms these proposals. The scale fee for Chorley Borough Council will remain unchanged.

Public Sector Internal Audit Standards

24 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (IIA) announced a formal collaboration in May 2011.

25 This collaboration has recently led to the formation of the UK Internal Audit Standards Advisory Board, which will provide oversight and challenge to the development of UK-wide Public Sector Internal Audit Standards.

26 The new unified set of internal audit standards will be based on the mandatory elements of the IIA's International Professional Practices Framework and it is proposed that they will apply across the UK to central and local government and the NHS (excluding foundation trusts).

See http://www.cipfa.org.uk/press/press_show.cfm?news_id=61685

Payment by results

27 The Audit Commission published *Local payment by results* on 5 April 2012. This is a briefing paper which considers potential issues arising from local authorities using payment by results (PbR) as a method of commissioning and paying for services.

28 PbR is a new approach, where commissioners pay service providers according to how well they achieve specified outcomes, rather than by outputs or volumes of service. These outcomes may be social, economic, financial, or a combination of all three. PbR is not the only contract type that rewards good performance, and commissioners should always consider other options alongside PbR to choose the most suitable approach.

29 What sets PbR apart from other contract types is that a significant amount of payment is withheld until the results are delivered. The payment is directly related to the level of success.

30 National PbR schemes are developing quickly. Some early schemes include reducing reoffending; diverting young offenders from custodial sentences; helping the unemployed to find work; preventing children from being taken into care; keeping frail older people in their own homes; and improving the management of chronic health conditions.

31 The briefing sets out to help councils understand what PbR might entail. As most schemes are at an early stage, the Audit Commission has identified a range of issues that local commissioners should consider if they are to use PbR successfully, drawing on some national and international examples.

32 The briefing suggests that there are five principles that any PbR scheme needs to meet if it is likely to succeed:

- a clear purpose;
- a full understanding of the risks;
- a well-designed payment and reward structure;
- sound financing; and

- effective management and evaluation.

33 The Audit Commission has sent the briefing to council chief executives and other key stakeholders.

See <http://www.audit-commission.gov.uk/nationalstudies/localgov/Pages/localpbr.aspx>

The rights of local electors

The Audit Commission has published an updated version of *Council accounts: a guide to your rights [which also covers Police Authorities / Fire and Rescue Services]*. The publication aims to help local electors by explaining their rights and how to engage with auditors in relation to the accounts. It also points electors to other sources of advice and more information where they have concerns that are not about the accounts.

34 The publication is accompanied by a Notice of an Objection form designed to assist electors wishing to present their objection to an item or items of accounts to the auditor.

35 Members of the Audit Committee may find it helpful to familiarise themselves with the document which can be found on the Audit Commission's website.

See <http://www.audit-commission.gov.uk/audit-regime/support-guidance/Pages/councilsaccountsyourrights03072006.aspx>

NAO role in local VFM studies

36 The NAO currently carries out around 60 VFM studies on central government initiatives and programmes each year. From next year, it will produce an increasing number of studies focusing on the local government sector.

37 A new Local Government Reference Panel has been set up to give councils an input to the NAO's programme of local government value for money studies. The panel, which will meet twice a year, includes representatives from nine local authorities as well as from CIPFA, Community Service Volunteers and the University of Birmingham.

38 The programme comprises three studies in 2012/13, the first being communication between central and local government, rising to four in 2013/14 and six in 2014/15.

39 Subject to Parliamentary approval, the NAO eventually expects to assume the Audit Commission's role in setting the framework for local audit, through a code of audit practice.

CIPFA's brief guide to Local Government Finance reforms

40 As the Local Government Finance Bill enters its concluding stages in the House of Commons, CIPFA has published a guide to some of the proposed changes.

41 CIPFA's *Brief Guide to Local Government Finance Reforms* seeks to answer some common questions that local government officers and elected members may have surrounding the localisation of support for council tax and business rate retention.

42 The guide explains the purpose of the proposals and their impact. It includes simplified examples of the proposed changes. At the time of writing, all the legislation and guidance has yet to be published, so the guide represents the latest known position. CIPFA will publish additional guidance once the detail becomes known.

See

http://www.cipfa.org.uk/panels/lgpp/download/Brief_guide_to_local_government_finance_reform.doc

CIPFA Treasury Risk Management Toolkit

43 CIPFA recently published a Treasury Risk Management Toolkit to provide further practical help for local authorities to understand and manage the treasury risks in their debt and investment portfolios.

44 The toolkit looks at an authority's total debt and investment portfolios in the round, and provides a suite of reports and techniques for treasury practitioners to define the authority's risk appetite, measure the risks it is taking relative to its risk appetite, and manage the portfolio accordingly.

45 Written by and for treasury practitioners, the toolkit intends to provide both a conceptual framework and a practical set of tools for managing treasury risk. As well as addressing the major types of risk, the Toolkit also examines key areas of risk which may be less understood, including a detailed analysis of LOBOs and how to approach them and the evaluation of debt restructuring operations.

Contact details

46 If you would like further information on any items in this briefing, please feel free to contact either me or your Audit Manager.

47 Alternatively, all Audit Commission reports - and a wealth of other material - can be found on our website: www.audit-commission.gov.uk.

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Report of	Meeting	Date
Chief Executive	Governance Committee	20/06/2012

DATA QUALITY POLICY 2012/13

PURPOSE OF REPORT

1. This report presents the council’s refreshed Data Quality Policy, which has received approval via Executive Member Decision by the Executive Member for Resources, Policy and Performance and summarises the key changes from the previous policy.

RECOMMENDATION(S)

2. That the refresh of the Data Quality Policy be noted and, if appropriate, feedback provided.

EXECUTIVE SUMMARY OF REPORT

3. The council’s Data Quality Policy has been reviewed to ensure it aligns to the council’s new data quality strategy and reflects the organisations increasing reliance on data from IT systems.

Confidential report Please bold as appropriate	Yes	No
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REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

4. Being able to rely on quality data is key to effective decision-making, governance and the allocation of resources. It is therefore essential that the council has a robust data quality policy.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

5. None

CORPORATE PRIORITIES

6. This report relates to the following Strategic Objectives:

Strong Family Support		Education and Jobs	
Being Healthy		Pride in Quality Homes and Clean Neighbourhoods	
Safe Respectful Communities		Quality Community Services and Spaces	
Vibrant Local Economy		Thriving Town Centre, Local Attractions and Villages	
A Council that is a consistently Top Performing Organisation and Delivers Excellent Value for Money			x

BACKGROUND

- 7. The council’s existing data quality policy has been refreshed to align with the themes of the council’s Data Quality Strategy and the key data quality issues facing the council in 2012. The key change introduced is an increased focus on assuring the quality of systems data.

SUMMARY OF CHANGES

- 8. Systems such as CRM, IDOX, Sharepoint and Academy are increasingly being used to inform decision-making, therefore ensuring the data in them is accurate at source is essential. In response and in line with the Data Quality Strategy the scope of the Data Quality Policy has been extended to cover systems data as well as performance data.
- 9. To support this, a greater role will now be taken by the Information Team in CIT who will act as overall custodian to systems data, in much the same way that Policy & Communications oversee performance data.
- 10. Each key electronic system will have a named officer responsible for the quality of data and a Systems Quality Checklist has been developed to support this.
- 11. The role of Audit in data quality has also been expanded from auditing performance indicators to include systems audits.

IMPLICATIONS OF REPORT

- 12. This report has implications in the following areas and the relevant Directors’ comments are included:

Finance		Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	No
No significant implications in this area	x	Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

- 13. There are no additional financial implications associated with the changes outlined in the report.

GARY HALL
CHIEF EXECUTIVE

COMMENTS OF THE MONITORING OFFICER

- 14. The issue of data quality is an important one for any decision making body. The proposed changes and improvements should enable the Council to discharge their statutory functions to a higher level.

CHRIS MOISTER
HEAD OF GOVERNANCE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
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David Wilkinson	5248	19/06/12	DQ Policy Gov Report
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Data Quality Policy

2012/13

Version 3.0 May 2012



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INTRODUCTION

This policy has been produced to support the council’s Data Quality Strategy 2011/13. Data quality has always been key to sound decision-making at the council. The reduction of resources available to the council and the increased demands from the public for transparency mean data quality is more important than ever.

Having quality data to make effective decisions underpins the Council’s Performance Management Framework. This supports all of the council’s Strategic Objectives and particularly the objective to be a ‘council that is a consistently top performing organisation and delivers excellent value for money’.

A key emerging challenge facing the council at present is the quality of systems data. A recent study by Sirious Decisions found that even at high performing businesses approximately 10 % of records contain critical data errors. As advances in technology allow greater use to be made of systems data, integration of IT systems (which increases the risks of poor quality data being shared) means it is essential that all data on systems is correct at source otherwise bad data can adversely affect a large number of decisions.

PURPOSE

Chorley Council recognises the importance of reliable information to the delivery of excellent services to its customers. This policy supports the council’s Data Quality Strategy which aims to ensure that:

“Chorley Council will be an organisation where data quality is excellent; a right first time culture is in place, all staff are aware of the importance of data quality and effective training and controls are in place to ensure that informed decisions can be made based on quality, accurate, timely information.”

The availability of complete, accurate and timely data is important in supporting customer care, corporate governance, management, decision-making, service planning, accountability and transparency.

POLICY OBJECTIVES

The council is committed to ensuring it maintains the highest standards of data quality. A Data Quality Strategy is in place which identifies themes and objectives that align with the key issues identified as barriers to achieving quality data in the public sector.

Theme	Strategy Objectives
Culture	Strong leadership on data quality Prevent complacency and loss of focus Improve transparency of data for the public Improve partnership data quality arrangements
People	Increase engagement of staff Improve staff accountability Incentivise staff to improve data quality Excellent Data Quality training and development for staff
Processes	A robust data quality policy and checks in place Effective procedures and definitions exist for all indicators and collections Ensure reduction in external inspection does not reduce the level of data quality

This policy aims to support this overall strategy by achieving the following objectives:

- ensuring that information and data can be relied on to make effective decisions and effective checks are in place to ensure the integrity of source data so the COUNT (Collect Once Use Numerous Times) approach can be applied;
- ensuring collection, recording, analysis and reporting of data is accurate, reliable and consistent to inform the decision making process;
- setting up controls which ensure the highest possible data quality;
- ensuring the data we use to make decisions is up to date;
- ensuring that the data on council systems can be relied on;
- ensuring arrangements are in place at a senior level to secure the quality of the data we use;
- providing clarity on expectations from our staff and elected Members and partners on their responsibilities and the standards of data quality expected of them;
- ensuring that the right resources are in place, and, in particular the right people and the right skills, to ensure that we have timely and accurate data;
- ensuring accurate data is reported transparently to all stakeholders and the public;
- ensuring that data is stored, used and shared in accordance with corporate standards and relevant legislation (e.g. Data Protection Act and Freedom of Information Act);

SCOPE

This policy applies to all employees of Chorley Council, as all staff have responsibility for data quality in their day to day work.

This policy applies to all data used in the decision-making process. This includes data entered on key council systems, performance management information. The council relies on other data to make decisions, for example demographic data, benchmarking and costing data or other statistics. It is important that all staff ensure that information used comes from a reliable source and steps are taken to verify and validate this information if it will be used to make decisions.

POLICY STATEMENT

The Chorley Council considers data as 'Quality' when it is:

Accurate - Data should be sufficiently accurate for its intended use and captured as close to the point of activity as possible.

Valid - Data must meet the relevant requirements, including the correct application of any rules or definitions.

Reliable - Data should be consistently collected over time, so we can be confident that it reflects real changes and not changes in data collection methods or errors.

Timely - Data should be captured as quickly as possible so it can be used to support effective, responsive decision-making.

Relevant - Data captured should be relevant to the purposes for which it is used and should be reviewed regularly to ensure it meets requirements.

Complete – Data should be complete, including all relevant information to produce a final complete figure. Data entered into systems should be complete to prevent duplication and maximise usefulness.

Theme: Culture

The council will ensure it has a culture which supports data quality as follows:

- To ensure strong leadership on data quality, overall responsibility for this policy and the council's approach to data quality approach is held by the Chief Executive and the Executive Member for Resources, Policy and Performance.
- To foster a right first time culture, Data Quality performance will be reported at Strategy Group level and at Directorate/Service Management Teams.
- The council will promote an inclusive approach to data quality. All staff will be encouraged to redesign or improve performance indicators as part of the council's business planning process and to improve systems.
- Internal Audit, Policy and Communications and the ICT Information Team will have a supporting role in securing quality data within the Council.
- Data quality will also be embedded within the Council's corporate risk management strategy and Performance Management Framework, for which Policy and Communications is responsible.

Reporting and transparency

Regular reporting of accurate information leads to good decision making and improved performance. To support a culture of effective reporting:

- Deadlines will be set to ensure that data is provided swiftly by staff so information can be reported to Strategy Group and Executive Cabinet in a timely manner to allow management actions to be taken to improve performance.
- Only data which has been checked will be reported.
- Performance against the targets in the Data Quality Strategy and results of audits will be reported to Strategy Group.
- Spending and other data will be produced in line with timetables provided by the Government to support the transparency agenda. A process has been developed for reporting relating to spending over £500, data will be published within 30 days of the end of each month in an accessible format to allow its use by the public.
- It is important that the reporting made through Government returns and other submissions maintain high standards of data quality. Any data submitted to an external body must comply with this policy, follow the Government guidance fully and will be checked by the Head of Service prior to submission.

Partnership data

As the council increasingly works in partnership with other organisations, and relies on the information that they supply to make decisions about resource investment and performance management, it is critical that this information is of a high quality. The following steps must be taken to support strong partnership data sharing arrangements:

- A Partnership Data Quality Charter has been developed that should also be signed by all of the council's key partners. The Data Quality performance of the council's key partners will be monitored through the council's Key Partnerships Framework.
- Staff obtaining data from a third party should also request any supporting evidence they need to assure themselves of the quality for the data provided by the partner.
- If errors in shared data are uncovered all partners any errors highlighted to other partners who may use the data.

Theme: People

The council recognises that our people are the key to data quality. In order that staff are engaged, incentivised, accountable and well trained:

- All staff will be made aware of the importance of data quality and that it is the responsibility of all staff at the council.
- All staff will be accountable for data quality in their day to day work and how the data they produce or enter into systems can have a major impact on decision-making and on customers.
- Every relevant officer should be aware of his or her responsibilities with regards to data quality.
- Data quality will be considered as part of performance appraisals for appropriate staff and form part of the staff induction.
- All staff with data quality duties will receive training on a regular basis which is appropriate to their role.

Managers must ensure that:

- Data quality issues are considered as part of the staff performance appraisal process for relevant staff with duties.
- Data quality is included in the Job Descriptions of new staff with data quality duties.
- Staff receive training and support where appropriate

The responsibilities of our people are detailed below:

Role	Responsibility	Frequency
Collection Officers (All Directorates)	Entry of initial data onto the Performance Management System, following set definitions	Ongoing
	Update written procedures to ensure they are effective and deliver business continuity	Annually/as changes occur
	Ensure data collection systems are robust, including undertaking assessments of data collection systems	On-going
	Identify & implement measures to improve the quality of data	On-going
	Reporting and following up action plans where concerns in Data Quality have been identified to the Directorate Management Team	Quarterly
	Auditing PIs and systems data	At least annually
	Attend Data Quality Workshop training	Annual
	Provision of data/performance information to support the Corporate Strategy and business plans	Annual
	Collate, input, store and retrieve PI data to the highest quality	Quarterly
Responsible Officers (Checking Officer on Performance Management System)	Sign off initial out-turn data on the Performance Management System, undertaking necessary checks and producing Action Plans	On-going
	Highlight measures for improvement to data quality, including assisting in high-risk assessments of data collection systems	On-going
	Participate in audits	Annual
	Attend Data Quality training	As required
	Compliance with the Data Quality Policy, undertaking necessary checks and complying with guidance.	As required

	Validate 3 rd party data, this will include ensuring that data complies with the Council's Data Quality Policy	As required, prior to sign off
	Identify and share information on potential data quality issues and address any data sharing problems.	As required
Named Systems Officer	Responsible for assuring data quality of nominated IT systems	Ongoing
	Attend Data Quality training	Annual
	Carry out checks and cleanse data on a regular basis and log systems issues.	Ongoing
	Ensure staff are adequately trained on systems	As required
	Participate in audits	As required
	Maintain records on issues and testing carried out to assure systems data quality	As required
	Develop and follow up action plans in response to data quality issues	As required
	Inform effected parties of data quality issues	As required
Directors/Heads of Service	Check and approve Performance Indicators and other data.	As required
	Overall responsibility for data quality on systems within their directorate/service, including identifying issues	Ongoing
	Check all data submitted to the Government	Ongoing
Line managers	Ensure data quality issues are considered as part of the staff performance appraisal process for relevant staff.	Annually
	Ensure data quality is included in the Job Descriptions of new staff with data quality duties.	Ongoing
	Ensure staff receive training and support where appropriate	Ongoing
Chief Executive	Overall Officer level responsibility for data quality	
Executive Member Resources, Policy and Performance	Overall Member level responsibility for data quality	
All Staff & Elected Members	Adopt Data Quality Policy and Data Quality Strategy	As required
	Are responsible for maintaining high levels of data quality in their day to day working	As required
	Attend any training identified	As required
Internal Audit	Undertake reviews of PIs & systems including identification of 'high risk' data systems	Annual
	Lead on the development and maintenance of a data quality risk assessment for the council.	On-going
	Produce reports following internal audits, with recommendations for improvements in procedures	Ongoing
	Undertake spot checks as identified in the risk assessment	Ongoing
Policy & Communications	Develop and implement Chorley's Data Quality Policy and Strategy	Bi-annually
	Develop and deliver Data Quality training to staff	Annually
	Monitor performance against data quality measures and report to Strategy Group	Bi-annually
	Provide ongoing support and advice to staff	Ongoing
	Undertake spot checks as required and identified in the risk assessment	Ongoing
CIT Information Team	Develop and deliver the councils Information Management strategy to include data quality	Bi-annually
	Deliver training to staff on information management and new systems	As required
	Implementation and major changes to systems out of the scope of day to day management	Bi-annually
	The Information Manager will have overall responsibility for maintaining systems quality and the team will provide ongoing support and advice to staff on systems issues	Ongoing
	Work with Audit and Policy and Communications to carry out a systems data risk assessment	Annually

Theme: Processes

Robust processes are required to ensure that data is of a sufficient quality to support effective decision-making. The council will ensure that there is a strong process of controls over data input, aiming for 100% accuracy all of the time. This includes ensuring data held on council systems is correct at source to enable effective decision-making and quality service provision. Our policy on processes is as follows:

- Responsibility for maintaining robust data systems lies within directorates, but Policy and Communications, Internal Audit or the ICT Information Team can offer advice and guidance as required;
- Each data collection system must have a named officer for data quality issues;
- All data should have clear definitions and procedures and instructions in place to control quality and enable business continuity. This includes data on electronic systems as an incorrect figure in a system creates major issues as it makes data incorrect at source and adversely effect a large number of decisions;
- Systems should be in place to provide the latest data as a soon as possible so the council can be confident decision are being made based on the latest information available;
- Controls will be in place over the input of data as close to source as possible to reduce errors;
- Verification checks will be in place close to the point of input to eliminate errors;
- All calculations and checks should be retained as evidence and for audit purposes;
- Monitoring, missing, incomplete or duplicate data will not be tolerated; steps should be taken by staff to prevent their occurrence;
- Reports and queries used to provide results should also be tested for integrity;
- Data quality process issues and errors will be reported to Strategy Group and Policy and Performance. End users (internal and external) will be informed of issues that impact on them.
- Where data quality issues are identified, Directorates/Services should prepare an action plan and monitor the implementation of improvement measures within the plan.

More specific advice in relation to the quality of performance information or on assuring the quality of data on system is available in the Appendices of this policy.

Further information and a toolkit to support staff in improving data quality is also available on the intranet. Any queries in relation to this policy and its application can be raised with the Policy and Communications Team.

MONITORING AND REVIEW ARRANGEMENTS

This policy will be reviewed annually (or as required following legislative changes) and refreshed in 2013 along with the Data Quality Strategy.

DOCUMENT AND VERSION CONTROL

Version	3.0
Author	David Wilkinson, Performance Officer, Chorley Council
Sign off date	
Publication date	

APPENDIX1: SYSTEMS INFORMATION

End users, including members of the public self serving should be confident that the data on key systems is accurate and up to date. Our policy specific to electronic data systems is as follows:

Roles in assuring systems quality

- Directors and Heads of Service will have overall accountability for the quality of systems data in their directorates and services.
- All staff will be made aware of their responsibilities in relation to data and will sign up to the data quality policy as part of their induction.
- The Information Team will take responsibility for major changes and systems upgrades but day to day responsibility will rest with Services, named officers and system users.
- The Information Manager will have an overall supervisory role in maintaining the quality of systems data through training and development, audit software etc.
- Systems data quality will be policed by the Information Team in ICT and form part of the council's Information Management Strategy
- A risk assessment of data systems will be carried out by Internal Audit, Policy and Communications and the Information Team annually to inform systems audits
- Audit staff will provide support in auditing systems data quality.
- Where data quality issues are identified, directorates/services should prepare an action plan and monitor the implementation of improvement measures within the plan.
- Major errors in business critical systems will be reported to Strategy Group and the Executive Member for Resources, Policy and Performance by Policy and Communications. End users (internal and external) should be informed of these issues by Services, as this may impact on their decision-making.

Responsibilities

- The table below identifies the officers responsible for our key data systems:

System	Responsibility for data quality
Civica Financials	Head of SFS
IDOX UNIFORM - Planning System	Head of Planning
TLC Land Charges system	Head of Planning
Sharepoint 2010 – including EDMS Document Management System, website, intranet and internal business forms	Head of CIT, All Service Heads using EDMS
Customer Relationship Management System	Head of CIT
Capita - Benefits and Taxation System	Head of CIT
LLPGazetteer - GIS	Head of CIT
Performance Management System	Head of Policy and Communications
IDOX	All Service Heads using IDOX
Vision - HR and Payroll System	Head of HR&OD
Arbitas (Housing System)	Head of Housing

Named officers above should ensure that;

- Systems are checked, cleansed and tested on a regular basis, via integrity checks. This includes testing of queries and reports;
- a Systems Quality Checklist is in place and updated. Including a Systems Issues and Improvements log;
- (where possible) systems have built-in controls to minimise the scope for human error or manipulation to prevent erroneous data entry, missing data, or unauthorised data changes. This could take the form of software which can identify and remove rogue

data or mandatory fields required to be entered before data can be saved on the system;

- users are adequately trained, user guides/instructions are available and refresher training is available as required;
- access to systems is secure (as appropriate);
- system upgrades are implemented where necessary;
- the system can produce adequate audit trails;
- a business continuity plan or adequate back up procedures for saving & restoring data are in place to protect vital records and data;
- systems data quality issues are recorded shared with Policy and Communication and the Information Team and that effected parties are informed.

All staff using systems must:

- Take great care to ensure that data they enter is complete, valid and accurate;
- Be responsible for the quality of data they enter and ensure that data is “right first time” by taking care when entering data and checking their own work;
- Strive for completeness - by entering data into all relevant fields in systems and not take short cuts which may lead to missing data or duplicate records;
- Monitor for data quality issues when accessing data, and inform their manager or named officer by logging any issues;
- Raise any concerns over data quality as soon as possible, with line managers and with the named officer for that system;
- Never enter test data into live systems.

APPENDIX 2: SYSTEMS QUALITY CHECKLIST

This should be completed for **all** data systems, an up to date copy of should be maintained by the named officer and returned to the Information Management Team in Customer Information and Transactional Service. For support please contact the Information Management Team or Policy and Communications or see the guidance template on the loop.

System Name			
System Version			
Named officer with overall responsibility for systems quality:			
System users (Please detail responsibilities in maintaining systems quality.)	Name	Role	Responsibility
Does the public access the system?	(Y/N)		
What decision-making information is provided by the system (to whom, and who by?)	Key data systems provide a number of key decision-making information, these could be PIs, productivity measures etc. List these here.		
If the system is linked to any others, which other systems does this system draw on, or provide data to?	Draws data from	Provides data to	
Is a business continuity/recovery plan in place? Please provide link.			
Training			
Has guidance been developed and shared with all staff to ensure the quality of data entered onto the system. (Y/N) Provide link to guidance documentation.			
Have all users received appropriate training? Give brief details.			
Checks			
What checks are preformed to assure the integrity of data? What frequency? And by who?			
What frequency is data cleansed, matched and improved? When did this last take place (<i>this should be in the your systems quality log</i>).			
Where is the supporting information on any data quality checks stored. (Provide link)			
Please give details of any recent system upgrades			
Has a log of data quality issues and improvements been created and made available to all staff. Where is this stored?			

APPENDIX 3: PERFORMANCE INFORMATION

Producing and entering data (Collection Officers)

- All staff should be aware of their duties in line with the table of staff responsibilities in the Data Quality Policy.
- All performance indicators should be included on the performance management system. Other systems should not be used and internal spreadsheets should not be set up in place of the system as this duplicates work and data, leading to confusion.
- All data should be submitted via the performance management system by the Collection Officer and signed off by the Responsible Officer (checking officer) by the 10th working day following the end of the relevant period.
- Officers entering data into the performance management system must be clear as to whether the figure is a snapshot or a year to date figure. To avoid confusion, all data reported on the Performance Management System and in performance reports, business plan monitoring reports and the Corporate Dashboard should be cumulative, Year to Date. It should be made explicitly clear in the indicator title when, as an exception, data is entered as a monthly snapshot.
- Officers should have clear guidelines and procedures for using systems to produce performance information and receive adequate training on using the performance management system. Guides for all user levels are available on the intranet to provide support to staff using the performance management system. Staff in Policy and Communications will provide support on the use of the system.
- All calculations used to produce performance information should be carried out using Excel (not carried out manually) and saved along with any other evidence to allow any errors to be traced and rectified more easily and enable effective audit.
- Transcription of performance data across different spreadsheets etc, should be avoided, as this is a key source of errors. Keep everything simple and keep it together!

Checking data (Responsible Officers and authorising Directors/Heads of Service)

- All reported data must be checked before use. In the case of the Performance Management System all data should be checked by both a Responsible Officer and the Director before it is considered valid for use and reporting.
- All data performance information should have clear definitions and procedures in place to ensure that information is entered correctly and consistently and that effective business continuity can be achieved. These can be produced by the Collection Officer but assuring the final quality of these will be responsibility of the Responsible (Checking) Officer, who must provide the procedures to Policy & Communications.
- If an error is made when entering or approving performance the officer making the error should inform the person who authorises the data and provide details as soon as possible so the system can be updated. So a Collection Officer should inform the Responsible (Checking) Officer, a Responsible (Checking) Officer should inform the Director/Head of Service, Director/Head of Service who have incorrectly approved data should inform Policy & Communications.
- Services will be measured on their performance in this area by the Policy & Communications team and the results will be reported to Strategy Group to embed a robust approach.
- Sample checks on performance information should be carried out, including reconciling electronic data with manual records;
- Reports and queries used to provide results entered onto the PMS should also be tested for integrity.

APPENDIX 4: WRITTEN PROCEDURES TEMPLATE

This should be completed for **all** Performance Indicators and returned to Policy and Communications for upload to the Performance Management System.

These procedures may be subject to scrutiny as part of data quality reviews and spot checks. Additional information regarding data quality arrangements and requirements can be found in the data quality policy on the Loop.

For support please contact Policy and Communications or see the guidance template on the loop.

Performance Indicator Code and Name:	
Definition:	
Procedure for data collection:	
Where is all evidence supporting calculation retained?	
What checks does the Responsible Officer perform to verify the information?	
Is any of the data supporting this indicator obtained from external sources? If so, have they signed the third party reporting protocol?	
Have any additional training needs been identified for the staff responsible for the collection and reporting this indicator?	
Collection Officer	
Responsible Officer (Checking Officer)	
Director/Head of Service	

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Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	28 th June 2012

INTERNAL AUDIT ANNUAL REPORT 2011/12

PURPOSES OF REPORT

1. To summarise the work undertaken by the Internal Audit Service during the 2011/12 financial year;
2. To give an opinion on the adequacy and effectiveness of the control environment in the Council as a whole and in individual service areas;
3. To give an appraisal of the Internal Audit Service's performance, including an evaluation of the effectiveness of the Council's "system of internal audit".

RECOMMENDATIONS

4. That the Internal Audit Annual Report for 2011/12 be noted.

EXECUTIVE SUMMARY OF REPORT

5. The report demonstrates the successful delivery of the 2011/12 Internal Audit programme of work; the results of which provide members with assurance that the Council's governance and control environment continues to be effective.

Confidential report	Yes	No
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CORPORATE PRIORITIES

6. This report relates to the following strategic objectives

Strong Family Support		Education and Jobs	
Being Healthy		Pride in Quality Homes and Clean Neighborhoods	
Safe Respectful Communities		Quality Community Services and Spaces	
Vibrant Local Economy		Thriving Town Centre, Local Attractions and Villages	
A Council that is a consistently Top Performing Organisation and Delivers Excellent Value for Money			x

INTERNAL AUDIT PLANS

7. **Appendix 1** to this report provides a summary of the audit work that was undertaken in respect of the 2011/12 Internal Audit Plans for Chorley Borough Council and Shared Services as at 31st March 2012.
8. Members should note that both Audit Plans were in the main successfully completed. Two pieces of Computer Audit work were completed in the first quarter of 2012/13 due to staff sickness and pressing work demands in ICT and Transactional Services in the final quarter of 2011/12. These reports are now being finalised. The Transport Audit which was 'work in progress' as at 31st March has also now been completed.
9. As is normally the case there were some variations between the planned and actual time spent on individual assignments as some of the original budget estimations proved to be insufficient or excessive in practice.

INTERNAL AUDIT OPINION

10. A detailed schedule of Internal Audit work undertaken during 2011/2012 is shown at **Appendix 2**. This gives individual opinions on the adequacy of control for each of the areas audited during the year and forms the basis of our annual judgement on the overall control environment within the Council.
11. **It is pleasing to report that the majority of the reviews received a substantial or adequate controls assurance rating. Taking this into account, it is Internal Audit's opinion that the Council continues to operate within a strong control environment.**
12. Four out of fourteen reviews have been given a limited rating. In the case of two of the reviews, Astley Hall (reported to Committee 19th January 2012) and Neighbourhoods, all management actions have now been fully implemented. In the case of the Maintenance Inspection Regimes and Information Security Framework Audits, all management actions have been agreed and steps have already been taken to make improvements in these areas.
13. **Appendix 2** also summarises the key actions that have been agreed with management to further improve controls within all the individual areas audited and their timely implementation will be monitored in due course.

INTERNAL AUDIT PERFORMANCE

Key Performance Indicators

14. The table at **Appendix 3** sets out and summarises the key performance data for the Internal Audit Service during 2011/12. This indicates that the majority of indicators are on or above target. It is particularly pleasing to report that the average customer satisfaction for Chorley and Shared Services is 91%.
15. Four areas varied significantly from the agreed targets and therefore explanations are provided below:

% of planned time used & (Shared Services only)

Input to Shared Services' audits required 27 days (11%) more than originally planned.

% of audit plan complete (CBC only)

The out-turn of 86% against a target of 92% respectively has already been explained above in that some audit work was carried forward or deferred to the first quarter of 2012/13.

% of management actions implemented

Actual out-turns of 88% (CBC) and 78% (Shared Services) against a target of 100% were achieved. Of the 146 agreed management actions for both CBC and Shared Services; 123 (84%) have been fully implemented; we have agreed a revised deadline for the remaining 23 (16%).

% of agreed management actions implemented on time

Actual out-turns of 52% (CBC) and 36% (SS) against a target of 100% were achieved. Of the 123 Management actions agreed, 58 (47%) were implemented on time. The remaining 65 (53%) were implemented later than originally agreed.

16. Members will be aware that these indicators are largely outside the gift of Internal Audit to control as the responsibility for implementing agreed actions lies with service managers. Moreover as the target is 100% a degree of under achievement is almost inevitable. Nevertheless the indicators for eventual implementation are strong and demonstrate an improvement on those reported to members for 2010/11. The "implemented on time indicators" are low but are historical in nature and are largely due to organisational and system changes which necessitated putting some actions on hold. These have since been addressed and are reflected in the higher percentile figures for eventual implementation.

ADDING VALUE

17. Whilst the prime role of Internal Audit is to review and recommend improvements to the control environment, it also has a remit to provide proactive, direct support to service areas to improve business systems and identify efficiencies wherever possible. This is particularly important in the current financial climate.
18. One example of where we have added value during 2011/12 is in relation to the Astley Hall audit which identified unpaid service charges by the cafe operating in the park since the lease commenced in April 2009, totalling over £20,000 for the financial years 2009/10 and 2010/11. This resulted in a Sundry Debtor invoice being raised for the outstanding amount.

SERVICE IMPROVEMENTS

19. The following represent key service improvements which were contained within the Shared Assurance Service's Business Improvement Plan (BIP) for 2011/12.

Audit Assignment Process

Following a review of the audit procedures a new monitoring process, to ensure Management Actions are implemented, was introduced. This has significantly improved our efficiency and has had a positive effect on senior management.

ISO 9001:2008

In February 2012, Internal Audit retained ISO 9001 accreditation. The Quality System is amended to reflect any changes in working practises and the retention of the Standard demonstrates that the Team continues to seek improved and more efficient working practises and strives to maintain a high quality service.

Governance Policies/Strategies

Internal Audit produced a new Anti-Fraud Response Plan and updated the Anti-Fraud and Corruption Strategy; both were approved by this Committee in March 2012.

IDEA Interrogation Software

We have added to the repertoire of existing interrogation programmes and reports to assist in the detection of irregularities.

OTHER ACHIEVEMENTS

20. We would also like bring the following significant developments to members' attention:

Staff Development

Four members of the Audit Team were successful in their Institute of Internal Auditor examinations; two of whom now hold the Diploma in Internal Audit, whilst two hope to complete their studies in the near future.

External Contract

In 2011, Internal Audit was approached by St. Catherine's Hospice who wished to procure Internal Audit Services. A formal agreement has been signed for the provision of a small number of days in which the resulting income will provide a contribution towards the cost of the service.

ANNUAL REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

21. The Accounts and Audit Regulations 2011 state at paragraph 6 (3) that (the Council) 'shall at least once a year conduct a review of the effectiveness of its system of internal audit'. In addition, that the findings of this review be considered by a committee of the Council as part of the wider consideration of its system of internal control / governance.
22. The Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Panel provided a definition of the 'system of internal audit' which clarifies and expands the scope of 'internal audit' from the Internal Audit Service, to a requirement on the Council to identify other independent sources of assurance obtained by each Director / Head of Service.
23. Directors / Heads of Service have provided evidence where they have obtained independent sources of assurance for their service. Examples of these include: the North West Development Agency and European Audit's approval for the Business Start-Up Programme; ISO9000:2008 for the Streetscape and Leisure Service; independent inspection of council vehicles by the Freight Transport Association.
24. Internal Audit has collated this evidence and it supports our overall opinion that the Council continues to operate within a strong control environment.

25. In addition, the Internal Audit Service undertook a self-assessment of its compliance with the CIPFA Code of Practice for Internal Audit in Local Government 2006 and has concluded that the Service complies with all aspects of the Code.

IMPLICATIONS OF THE REPORT

26. The matters raised in the report are cross cutting and impact upon individual services and the Council as a whole.

Finance		Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	
No significant implications in this area	x	Policy and Communications	

GARRY BARCLAY
 HEAD OF SHARED ASSURANCE SERVICES

Background Papers			
Document	Date	File	Place of Inspection
Internal Audit Plan Internal Audit Plan Risk Assessment	2011/12	Shared Assurance Services	Civic Centre Leyland

Report Authors	Ext	Date	Doc ID
Clare Ware Jan Minchinton	(01772) 625249 (01772) 625251	15/6/12	Annual Report 11-12.doc

APPENDIX 1 – INTERNAL AUDIT PLAN 2011/12 AS AT 31 MARCH 2012

Audit Areas	Plan (days)	Actual (days)	Balance (days)
SHARED SERVICES			
Finance			
Main Accounting Systems	20	20.7	-0.7
Creditors	20	18.1	1.9
Payroll	20	22.2	-2.2
Treasury Management	15	16.1	-1.1
Cash and Bank	20	23.5	-3.5
Travel and Subsistence	15	9.9	5.1
Revenues and Benefits			
Council Tax	15	13.4	1.6
Non Domestic Rates	15	12.6	2.4
Housing and Council Tax Benefit	15	21.2	-6.2
Debtors	20	29.3	-9.3
Assurance			
Emergency Planning and Business Continuity	20	34.5	-14.5
General Areas			
Residual work from 2010/11	20	33.0	-13.0
Post Audit Reviews (Follow-up work)	15	8.9	6.1
Unplanned Reviews / Contingency	10	3.4	6.6
SUB-TOTAL	245	271.8	-26.8
CHORLEY			
CORPORATE AREAS			
Annual Governance Statements	15	9.7	5.3
Anti-Fraud and Corruption	15	16.1	-1.1
NFI	30	32.6	-2.6
System's Interrogation	10	3.0	7.0
PARTNERSHIPS PLANNING & POLICY			
Performance Management/PIs/Data Quality	15	6.8	8.2
Building Control	10	10.8	-0.8
Land Charges	10	10.0	0.0
TRANSFORMATION			
Health and Safety	10	11.2	-1.2
Disaster Recovery	10	11.6	-1.6
Government Connect (penetration testing)	5	1.9	3.1
Estates	15	18.1	-3.1
Maintenance Inspection Regimes	20	26.2	-6.2
PEOPLE AND PLACES			
Licensing	15	15.9	-0.9
Car Parks	10	11.8	-1.8
Indoor / Outdoor Leisure Contract	10	10.1	-0.1
Astley Hall	15	18.2	-3.2
Transport	20	4.3	15.7

Audit Areas	Plan (days)	Actual (days)	Balance (days)
CHORLEY (Continued)			
GENERAL AREAS			
Irregularities	20	18.7	1.3
Post Audit Reviews	15	11.0	4.0
Residual Work from 2010/11	25	51.2	-26.2
Unplanned Reviews (Contingency)	20	8.5	11.5
Audit Committee Reporting and Training	20	19.0	1.0
SUB-TOTAL	335	326.7	8.3

APPENDIX 2 - SUMMARY OF INTERNAL AUDIT ACTIVITY 2011/12

AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
1.	SHARED SERVICES		
	Finance		
	Main Accounting system.	Adequate (Draft)	Management actions have been made that the systems reports should be reviewed by the Systems Team to ensure that all amendments are accurate and appropriate and that quarterly random sampling of reconciliations should take place.
	Creditors	Adequate (Draft)	Management actions have been made to improve controls in relation to amendments to creditor standing data and authorisations of payment runs.
	Payroll	Substantial (Draft)	No key control issues identified.
	Treasury Management	Substantial (Draft)	No key control issues identified.
	Cash and Bank	Substantial (Draft)	No key control issues identified.
	Travel and Subsistence	Substantial (Draft)	No key control issues identified.

AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
Revenues and Benefits			
Council Tax, Non Domestic Rates, Housing/Council Tax Benefit and Debtors.	To verify that controls in place in respect of the Council Tax, Non Domestic Rates, Housing/Council Tax Benefit and Debtors system are adequate and operating effectively	Substantial.	No key control issues identified.
Assurance			
Emergency Planning and Business Continuity.	A high level review of the overall arrangements established for Emergency Planning and Business Continuity was undertaken to ensure that statutory responsibilities are addressed.	Adequate.	Management actions were agreed that critical services need to be prioritised and a formal de-brief should be developed as part of the Business Continuity arrangements and that further training should be provided for those officers with specific roles in implementing the Emergency Plan.
Residual Work from 2010/11			
Main Accounting	To verify that controls in place in respect of the main accounting/budget monitoring system are adequate and operating effectively	Adequate.	Management actions were made to improve the virement process; to ensure sign off of budgets and year end reports and review and update procedures.
Capital	To ascertain whether effective arrangements are in place to ensure the Council will be able to comply with the new International Financial Reporting Standards (IFRS) for Capital Accounting.	Substantial.	No key control issues identified.

AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
Cash and Bank	To verify that controls in place in respect of the cash and bank system are adequate and operating effectively.	Adequate.	Management actions were agreed in respect of the post opening procedures. Further recommendations have been put in place regarding retention of receipt books.
Creditors	To verify that controls in place in respect of the creditors system are adequate and operating effectively.	Substantial.	No key control issues identified.
Payroll	To verify that controls in place in respect of the payroll system are adequate and operating effectively.	Substantial	No key control issues identified.
2. CORPORATE AREAS			
Annual Governance Statement.	Co-ordinated a review of the system of governance and provided a gap analysis highlighting areas of control weakness to feed into the Annual Governance Statement.	Not applicable to this item. Proactive input provided rather than an audit / review.	Gap analysis provided showing areas of control weakness which were reported in Section 5 of the Annual Governance Statement.
Anti-Fraud and Corruption.	A fraud awareness questionnaire has been placed on the Loop for completion by all officers and members. The Corporate Governance documents have also been updated and placed on the Loop. Fraud awareness bulletins are placed on the Loop and In the Know on a regular basis to highlight specific fraud risks.	Not applicable to this item. Proactive input provided rather than an audit / review	

AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
National Fraud Initiative (NFI)	1. Ongoing monitoring of the results from the 2010/11 exercise. 2. Co-ordination of the Council's input to the Single Person Discount/Electoral Register 2011/12 exercise in October and December 2011.	Not applicable to this item.	1. Investigations of the 2010/11 exercise are nearing completion and the Revenues Team has, to date, identified overpayments of housing benefit and council tax benefit of £24K. 2. The Benefits Enquiry Unit commenced investigations into matches from the 2011 exercise in May 2012.
Systems Interrogations	Using IDEA software, financial payroll records were matched to the Human Resources establishment list, to determine that payments are only being made to staff currently on the establishment list.	Not applicable to this item.	No key control issues identified-payments only made to staff on the establishment list.
3. PARTNERSHIPS & PLANNING			
Building Control	To provide assurance that the controls in place within the Building Control Section are adequate and effective and that exposure to risk is minimised	Adequate	Management actions were agreed to update procedure notes, to update the income reconciliation spreadsheet and to introduce management checks on collection of inspection fees.
Land Charges	To provide assurance that the controls in place within the Land Charges section are adequate and effective and that exposure to risk is minimised	Adequate	Management actions were agreed to improve processes to verify receipt of BACS payments and improve procedural guidance.

AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
4. TRANSFORMATION			
Performance Management / Performance Indicators and Data Quality.	Performance indicators were checked in respect of credit invoices paid in 30 days and street and environmental cleanliness.	Not applicable to this item.	No key control issues identified.
Health and safety	To provide assurance that the contract for the provision of Health and Safety services for the Council is adequately and effectively managed and monitored	Adequate	Management actions were agreed to update information on the Loop, improve recording of actions taken and ensuring that the Health and Safety Partnership follows the Framework for Partnership working.
Disaster Recovery.	A review of the ICT Disaster Recovery Planning to provide assurance that effective, tested Disaster Recovery Plans are in place.	Report in progress	Work to be completed in the first quarter of 2012/13.
Government Connect (penetration testing).	To assess the effectiveness of the control framework established by ICT Services to mitigate identified Information Security/Information Technology vulnerabilities.	Report in progress	Work to be completed in the first quarter of 2012/13.
Estates	To provide assurance that the controls in place within the Estates section are adequate and effective and that exposure to risk is minimised.	Adequate	Management actions were agreed for the documentation held by Liberator to be improved, for a void property inspection regime to be introduced and for communication to be improved between legal, finance, exchequer and Liberator by introducing quarterly meetings.

AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
Maintenance Inspection Regimes	To provide assurance that the controls in place within the Maintenance and Inspection Regime are adequate and effective and that exposure to risk is minimised.	Limited	Management actions were agreed that the Tree Inspection Policy be updated and that a more robust tree inspection programme be put in place using trained staff. that a Memorial Policy be introduced and that improvements be made to play equipment and car park inspections.
5. PEOPLE AND PLACES			
Licensing	To provide assurance that the contract for the provision of Health and Safety services for the Council is adequately and effectively managed and monitored	Adequate	Management actions were agreed that adequate training should be provided by the system provider, Civica; to appoint an internal Systems Administrator and that data cleansing should take place to ensure quality of data on the CBC web-site.
Car Parks	To provide assurance that the controls in place for the administration of Car Parks are adequate and effective and that exposure to risk is minimised.	Substantial	No key control weaknesses identified.
Indoor/Outdoor Leisure	To provide assurance that the controls in place in respect of the administration of the Indoor/Outdoor Leisure contracts are adequate and effective and that exposure to risk is minimised.	Adequate	Management actions were agreed to ensure that all legal documentation in respect of CBC and Active Nation and CBC and Glendale Managed Services Ltd., is up to date and that regular review of the joint risk register and business continuity plans for Active Nation take place.

AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
Astley Hall	To provide assurance that the controls in place with regards to bookings, income management and asset security are effective and that exposure to risk is minimised.	Limited	Management actions were agreed in respect of increasing income generation, collecting service charges, improving asset control and health and safety.
Transport	To provide assurance that the controls in place within the Transport section are effective and that exposure to risk is minimised.	Substantial	Work in progress
6. GENERAL AREAS			
Irregularities			
Neighbourhoods	An investigation was carried out which resulted in a full review of the operation of Neighbourhood Services.	Limited	Management actions were agreed that a review of the working practices of Neighbourhood Officers should be carried out that there should be more proactive monitoring of staff and that a performance monitoring regime should be introduced.
Post Audit Reviews			
Follow-up reviews of: Transport; Astley Hall; Indoor and Outdoor Leisure; Planning; Land Charges; Building Control; Licensing; Neighbourhoods; Low Cost Housing; The Home Improvement Agency; The Health and Safety Contract; Freedom of Information and Data Protection; The information Security Framework; Car Parks and Asset Management.	All reports are followed up three times a year. The majority of the management actions have been put in place and the remainder have been given revised dates for implementation.	N/A	N/A

AUDIT AREA	AUDIT INPUT	CONTROLS RATING	KEY CONTROL ISSUES
Residual Work from 2010/11			
Home Improvement Agency	To ensure that adequate controls are in place to ensure that Disabled Facilities; Minor Repair and Energy Efficiency grants are correctly awarded.	Substantial	No key control weaknesses identified.
Asset Management	To ascertain whether the Council manages its assets effectively to help deliver strategic priorities and service needs	Adequate	The council maximises the use of its asset base however, some issues have been identified relating to the asset management strategy, plans, health and safety administrative procedures and data quality that need to be addressed.
Information Security Framework	To provide assurance that there are controls in place to ensure that the Information Security Framework is complied with.	Limited	Management actions were agreed; that the Information Security Framework should be reviewed; that the Information Management Forum should be re-constituted and that a training strategy and communications strategy be produced.

KEY TO CONTROL RATINGS

Substantial	The Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.
Adequate	The Authority can place only partial reliance on the controls. Some control issues need to be resolved.
Limited	The Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist.

The above control ratings relate only to the point in time when the final audit report was issued. They represent a historic rather than a current judgement as managers are charged with implementing corrective action plans to address the control issues raised. This is in turn supported by a programme of follow-up reviews by the Internal Audit Service.

APPENDIX 3 - INTERNAL AUDIT PERFORMANCE INDICATORS AS AT 31st MARCH 2012

	Indicator	Audit Plan	Target 2011/12	Actual 2011/12	Comments
1	% of planned time used	SS	100%	111%	Target exceeded
		CBC	100%	98%	On target
2	% audit plan completed	SS	92%	92%	Target achieved.
		CBC	92%	86%	Slightly below target - 3 pieces of work in progress at year-end.
3	% management actions agreed	SS	97%	100%	Target exceeded
		CBC	97%	99%	Target exceeded
4	% of agreed management actions implemented.	SS	100%	78%	39 out of 50 agreed management actions implemented 11 revised dates agreed.
		CBC	100%	88%	84 out of 96 management action implemented 12 revised dates agreed,
5	Of the agreed management actions implemented – % implemented on time	SS	100%	36%	14 of the 39 management actions implemented on time
		CBC	100%	52%	44 of the 84 management actions implemented on time
6	% overall customer satisfaction rating (assignment level)	SS	90%	89%	On target
		CBC	90%	93%	Target exceeded

SS = Shared Services
CBC = Chorley



Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	28 th June 2012

COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS

PURPOSE OF REPORT

1. The purpose of this report is to enable 'those charged with governance' and 'management/section 151 officer' to provide the assurances being sought by the Audit Commission as part of their audit of the Council's 2011/12 accounts. The specific assurances being sought by the Audit Commission are set out in the two letters appended to this report

RECOMMENDATION

2. That, subject to consideration by the Committee, the Chairman of the Governance Committee and the Chief Executive (Section 151 statutory chief finance officer) be enabled to sign the assurance letters requested by the Audit Commission

EXECUTIVE SUMMARY OF REPORT

3. In March 2012, the Audit Commission wrote to the Chief Executive (Appendix A) and the Chair of the Governance Committee (Appendix B) requesting information to assist with their audit of the Council's 2011/12 financial statements. Given the assurances requested were similar to the evidence being collated by Internal Audit to support the Annual Governance Statement (AGS) and in the interests of transparency, it was agreed with the Audit Commission that responses to their letters would be provided following consideration at this meeting.
4. **Similar requests for assurance were made in respect of the 2010/11 financial statements and therefore the information provided in this year's responses is in effect an update of the information which was supplied last year.**
5. Having reviewed the specific information being sought, Internal Audit is satisfied that the Council's arrangements are such that positive assurances can be given in response to the Audit Commission. Principally, this conclusion is arrived at through the:
 - comprehensive assurance and evidence gathered in compiling the AGS;
 - ongoing work of the Governance Committee and Internal Audit scrutinising and challenging the Council's arrangements;
 - work of the Section 151 Officer and the Head of Shared Financial Services, the financial arrangements and controls, including financial procedure rules, that have been adopted; and
 - the work of the Monitoring Officer and the Legal Team.
6. Further detailed information to support Internal Audit's review and conclusions can be found in the tables at Appendices C and D.

Confidential report	Yes	No
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CORPORATE PRIORITIES

7. This report relates to the following Strategic Objectives:

Strong Family Support		Education and Jobs	
Being Healthy		Pride in Quality Homes and Clean Neighbourhoods	
Safe Respectful Communities		Quality Community Services and Spaces	
Vibrant Local Economy		Thriving Town Centre, Local Attractions and Villages	
A Council that is a consistently Top Performing Organisation and Delivers Excellent Value for Money			X

IMPLICATIONS OF REPORT

8. The matters raised in the report are cross cutting and impact upon the authority as a whole

Finance		Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	
No significant implications in this area	X	Policy and Communications	

GARRY BARCLAY
 HEAD OF SHARED ASSURANCE SERVICES

Background Papers			
Document	Date	File	Place of Inspection
International Auditing Standards Annual Governance Statement Service Assurance Statements Evidence collated by Internal Audit to support responses.	2012	Shared Assurance Services	Civic Centre South Ribble BC

Report Author	Ext	Date	Doc ID
Dawn Highton Clare Ware	5468 01772 625249	28 th May 2012	IAS Report for AC

Our reference CBC 11/12

28 March 2012

Mr G Hall
Chief Executive
Chorley Borough Council
Town Hall
Market Street
Chorley
PR7 1DP

Dear Gary

— **Audit of Chorley Borough Council Financial Statements for the year ended 31 March 2012**

I have a good understanding of your management processes and arrangements. This enables me to deliver an efficient audit, reducing the time your staff need to spend responding to auditor queries.

However, auditing standards require me to formally update my understanding annually. Therefore, I am writing to ask that you please provide a response to the following questions. Where your response to questions 2, 3 and/or 4 is 'yes', please provide details.

Fraud and Internal Control

1) What are the management processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
- identifying and responding to risks of fraud in the Council, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
- communicating to employees its views on business practice and ethical behavior (for example by updating, communicating and monitoring against the Council code of conduct); and
- communicating to the Audit Committee (i.e. those charged with governance) the processes for identifying and responding to fraud or error.

2) In addition to management processes and controls, I would like your views on fraud to inform my assessment of the risk of fraud and error in the financial statements.

- Are you aware of any instances of actual, suspected or alleged fraud during the period 1 April 2011 to 31 March 2012? –

- Do you have any concerns over whether internal controls, including segregation of duties, exist and work effectively?
- Are you aware of any related party relationships or transactions that could give rise to instances of fraud?
- Are you aware of any entries in the accounting records that you believe or suspect are false or intentionally mis-leading?

Laws and Regulations

3) How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2011-12?

Litigation and Claims

4) Are there any actual or potential litigation or claims that would affect the financial statements?

Related Party Transactions and Relationships

5) What controls do you have in place to: identify; authorise; approve; account for; and disclose, related party transactions and relationships? For any new related parties (i.e. any not already disclosed in your year end 31 March 2011 audited financial statements) please provide a list of them, explain the nature of these, and whether you have entered into any transactions with these related parties during the year to 31 March 2012.

Going Concern

6) What management process is followed in determining whether the Council is a 'going concern' when compiling the financial statements?

Please provide a response by email either on behalf of management or by yourself in your capacity as the Chief Executive by 30 April 2012.

Please contact me or Tony Hough if you wish to discuss anything in relation to this request.

Yours sincerely

Fiona Blatcher
Engagement Lead

Our reference CBC 11/12

28 March 2012

Cllr A Gee
Chair of the Audit Committee
Chorley Borough Council
Town Hall
Market Street
Chorley
PR7 1DP

Dear Cllr Gee

Audit of Chorley Borough Council - Financial Statements for the year ended 31 March 2012

Understanding how the Audit Committee gains assurance from management

I have a good understanding of how the Audit Committee, as those charged with governance, gains assurance over management processes and arrangements. This enables me to deliver an efficient audit, reducing the time staff need to spend responding to auditor queries.

However, auditing standards require me to formally update my understanding annually. Therefore, I am writing to ask that you please provide a response to the following questions. Where your response to questions 2 to 5 is 'yes', please provide details.

Fraud and Internal Control

1) How do you exercise oversight of management's processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
- identifying and responding to risks of fraud in the Council, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
- communicating to employees its view on business practice and ethical behavior (for example by updating, communicating and monitoring against the Council code of conduct); and
- communicating to you the processes for identifying and responding to fraud or error.

2) How do you oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2011-12?

3) In addition to overseeing management processes and controls, I would like your views on fraud to inform my assessment of the risk of fraud and error in the financial statements.

- Are you aware of any instances of actual, suspected or alleged fraud during the period 1 April 2011 to 31 March 2012?

- Do you have any concerns over whether internal controls, including segregation of duties, exist and work effectively?
- Are you aware of any related party relationships or transactions that could give rise to instances of fraud?
- Are you aware of any entries in the accounting records that you believe or suspect are false or intentionally mis-leading?

Laws and Regulations

4) How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2011-12?

Litigation and Claims

5) Are you aware of any actual or potential litigation or claims that would affect the financial statements?

Going Concern

6) How does the Audit Committee satisfy itself as to whether it is appropriate to adopt the going concern basis in preparing financial statements? Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern?

Please provide a response by 30 April 2012. Please contact me or Tony Hough if you wish to discuss anything in relation to this request.

Yours sincerely

Fiona Blatcher
Engagement Lead

28th June 2012

Fiona Blatcher
Engagement Lead
Audit Commission
2nd Floor
Aspinall House
Aspinall Close
Middlebrook
Horwich
Bolton
BL6 6QQ

— **Dear Fiona**

Audit of Chorley Borough Council Financial Statements - Compliance with International Auditing Standards

With reference to your letter dated 28th March 2012 in respect of the above, I have now commissioned a review of the management processes that are in place within the Council which address the specific questions you raised.

These are contained in the attached table which was formally reported to and discussed by the Governance Committee on 28th June 2012. I trust that this provides you with the necessary assurances that the Council's arrangements are effective and that there are no specific concerns or issues to report.

Yours sincerely

Gary Hall
Chief Executive
Chorley Borough Council
Town Hall
Market Street
Chorley
PR7 1DP

Issue	Management Processes and Assurances
<p>Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);</p>	<p>Review of key financial systems on an annual basis.</p> <p>Risk based Internal Audit plan</p> <p>Assurance ratings contained within each Internal Audit report.</p>
<p>Identifying and responding to risks of fraud in the Council, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;</p>	<p>Undertaking the Annual Governance Review, including Service Assurance Statements.</p> <p>The Corporate Risk Management Framework / operation risk registers</p> <p>Governance documents including the Anti fraud and corruption strategy and Fraud Response Plan direct officers and members to Internal Audit / Monitoring Officer, to report suspicion of fraud / irregularity.</p> <p>National Fraud Initiative (NFI)</p> <p>Use of IDEA (data interrogation software)</p> <p>Internal Audit has undertaken one investigation into a potential irregularity which did not identify any evidence of fraud.</p>
<p>Communicating to employees its views on business practice and ethical behavior</p>	<p>Internal Audit has time dedicated to fraud awareness / anti fraud and corruption in the annual plan.</p> <p>Local Code of Corporate Governance</p> <p>Ongoing promotion of core values.</p> <p>Register of Interests / gifts and hospitality.</p> <p>Adherence to Codes of Conduct.</p> <p>Ethical guidance / policies on the “Need to Know” section of the loop.</p> <p>Zero tolerance of fraud</p> <p>Promoting participation in the on-line fraud awareness survey.</p> <p>Compliance with corporate policies relating to Whistle-Blowing, Anti-Fraud &</p>

	<p>Corruption & Anti-Money Laundering.</p> <p>Internal Audit also publicises “Fraud Awareness” bulletins through the Loop.</p>
<p>Communicating to the Governance Committee (i.e. those charged with governance) the processes for identifying and responding to fraud or error.</p>	<p>Compliance with corporate policies relating to Whistle-Blowing, Anti-Fraud & Corruption & Anti-Money Laundering.</p> <p>Presentation to and approval by the Governance Committee following production of new or revised governance policies e.g., Whistle Blowing Policy, Anti-Fraud and Corruption Strategy and Fraud Response Plan.</p>
<ul style="list-style-type: none"> • Are you aware of any instances of actual, suspected or alleged fraud during the period 1 April 2011 to 31 March 2012? • Do you have any concerns over whether internal controls, including segregation of duties, exist and work effectively • Are you aware of any related party relationships or transactions that could give rise to instances of fraud? 	<p>Internal Audit has undertaken one investigation into potential abuse of flexi – time / allegations of non-compliance with council policies. However, they were unable to prove fraud. A report was provided to the relevant manager following the investigation which included management actions to strengthen controls.</p> <p>The Benefits Enquiry Unit publicise all successful prosecutions internally and externally, therefore ensuring that potential fraudsters are aware that the council actively investigates and prosecutes fraudsters.</p> <p>No - The opinion of the Head of Shared Assurance in the 2011/2012 Internal Audit Annual Report is that the Council continues to operate within a strong internal control environment.</p> <p>Internal Audit has undertaken various audits during the financial year. The majority have not identified any significant control weaknesses. Where only limited assurance was given, management actions were agreed and implemented. The segregation of duties is a key audit area.</p> <p>No – We are not aware of any significant weaknesses. The Council ensures that service level agreements and / or partnership agreements are in place.</p>

<ul style="list-style-type: none"> • Are you aware of any entries in the accounting records that you believe or suspect are false or intentionally misleading? 	<p>Risk registers are in place for key partnerships.</p> <p>Partnership monitoring procedures are in place and reports are presented to management and relevant Committees</p> <p>No – Key financial systems are reviewed by Internal Audit annually. No significant control weaknesses were identified.</p>
<p>How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2011-12?</p>	<p>Role of the Monitoring Officer & Team of qualified lawyers to advise officers.</p> <p>All committee reports with legal implications are reviewed by the Monitoring Officer.</p> <p>The Annual Governance Statement (AGS) and Service Assurance Statements (SAS) provide the necessary assurances.</p>
<p>Are there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>The only matter in which we are a potential defendant is the Property Search Litigation relating to personal search fees. This is a group action brought by property search companies against all local authorities.</p>
<p>What controls do you have in place to: identify; authorise; approve; account for and disclose related party transactions and relationships? For any new related parties (i.e., any not already disclosed in your year end 31 March 2011 audited financial statements) please provide a list of them, explain the nature of these and whether you have entered into any transactions with these related parties during the year to 31 March 2012.</p>	<p>All new partnerships or partnering arrangements are reported to and approved by Members.</p> <p>Compliance with the high standards of governance, risk management and control as stated in the Framework for Partnership Working</p> <p>Partnership monitoring procedures are in place and reports are presented to management and relevant Committees.</p> <p>There are no new related parties</p>
<p>What management process is followed in determining whether the Council is a 'going concern' when compiling the financial statements?</p>	<p>We prepare a 3 year budget projection included in the Medium Term Financial Strategy to identify any financial risks facing the Council.</p> <p>Level of un-committed reserves.</p>

28th June 2012

Fiona Blatcher
Engagement Lead
Audit Commission
2nd Floor
Aspinall House
Aspinall Close
Middlebrook
Horwich
Bolton
BL6 6QQ

Dear Fiona

Audit of Chorley Borough Council Financial Statements - Compliance with International Auditing Standards

Further to your letter dated 28th March 2012 in respect of the above, please find attached a table providing you with the necessary information that you seek in relation to the specific issues you raised to assist with planning for the 2011/12 financial statements audit:

The attachment was formally reported to and discussed by the Governance Committee on 28th June 2012 and I trust that this provides you with the necessary assurances that the Council's arrangements are effective and that there are no specific concerns or issues to report.

Yours sincerely

Councillor A. Gee
Chair of the Audit Committee
Chorley Borough Council
Town Hall
Market Street
Chorley
PR7 1DP

Issue	How the Governance Committee demonstrates that it secures the relevant assurances
<p>How the Governance Committee exercises oversight of management's processes in relation to:</p> <ul style="list-style-type: none"> • Undertaking an assessment of the risk that the financial statements may be materially mis-stated due to fraud or error. • Identifying & responding to risks of fraud in the Council, including specific risks of fraud which management have identified or that have been brought to its attention or classes of transactions, account balances or disclosure for which a risk of fraud is likely to exist. • Communicating to employees its views on business practice & ethical behaviour • Communicating to the Governance Committee the process for identifying and responding to fraud or error. 	<p>Receipt of Internal Audit's Annual Report including audit opinion from the Head of Shared Assurance</p> <p>Receipt of assurance from Internal Audit following the review of key financial systems on an annual basis</p> <p>Receipt of Annual Governance Statement</p> <p>Promotion of core values</p> <p>Publicity of Codes of Conduct</p> <p>On-line fraud awareness survey issued to both Officers and Members</p> <p>Approval of the Whistle-Blowing, Anti-Fraud & Corruption, Fraud Response and Anti-Money Laundering policies.</p> <p>Co-ordination of the National Fraud Initiative (NFI) by Internal Audit and the results of investigations contained within the Internal Audit progress and annual reports.</p>
<p>How the Governance Committee oversees management processes to identify and respond to the risk of fraud and possible breaches of internal control. Is the Governance Committee aware of any breaches of internal control during 2011-12?</p>	<p>Corporate policies relating to governance, e.g., Whistle-Blowing, Anti-Fraud & Corruption Strategy and Anti-Money Laundering Policy.</p> <p>Internal Audit presents Governance Committee with progress reports on the work undertaken in respect of the Internal Audit Annual Plan. Breaches of internal control would be identified within these reports.</p>
<ul style="list-style-type: none"> • Whether the Governance Committee are aware of any instances of actual, suspected or alleged fraud during the period 1 April 2011 to 31 March 2012. • Does the Governance Committee have any concerns over whether internal controls, including segregation of duties exist and work effectively? 	<p>Receipt of quarterly Internal Audit reports</p> <p>NFI results</p> <p>Publicity of successful prosecutions by BEU</p>

<ul style="list-style-type: none"> • Is the Governance Committee aware of any related party relationships or transactions that could give rise to instances of fraud? • Is the Governance Committee aware of any entries in the Accounting Records that you believe or suspect are false or intentionally misleading? 	<p>Internal Audit undertook one investigation into potential abuse of flexi time, but it did not identify any evidence of fraudulent activity. A report was provided to the relevant manager following the investigation which included management actions to strengthen controls.</p> <p>The opinion of the Head of Shared Assurance in the 2011/2012 Internal Audit Annual Report is that the Council continues to operate within a strong internal control environment.</p> <p>Internal Audit has undertaken various audits during the financial year and these have not identified any significant control weaknesses. The segregation of duties is a key audit area.</p> <p>Receipt of Annual Governance Statement</p>
<p>How does the Governance Committee gain assurance that all relevant laws and regulations have been complied with? Is the Governance Committee aware of any instances of non-compliance during 2011-12?</p>	<p>Key areas of Internal Audit reviews include compliance with statutory requirements and relevant laws.</p> <p>Role of the Monitoring Officer Team of qualified lawyers to advise officers</p> <p>All committee reports cleared by Legal</p> <p>The Annual Governance Statement (AGS) and Service Assurance Statements (SAS)</p> <p>Internal Audit progress reports to Governance Committee would identify any non-compliances</p> <p>The Governance Committee are not aware of any instances of non compliance during 2011-12.</p>
<p>Is the Governance Committee aware of any actual or potential litigation or claims that would affect the financial statements?</p>	<p>The Governance Committee is aware of a matter in which the Council is a potential defendant in the Property Search Litigation relating to personal search fees. This is a group action brought by property search companies against all local authorities.</p>

<p>How does the Governance Committee satisfy itself as to whether it is appropriate to adopt the going concern basis in preparing financial statements? Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern?</p>	<p>No, the Governance Committee has not carried out a preliminary assessment of the going concern assumption. However, it does not have any doubts due to the following:</p> <p>The Council sets a legal and balanced budget.</p> <p>The level of un-committed reserves.</p> <p>The Governance Committee also considers the statutory financial statements and receives in year monitoring reports</p>
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Report of	Meeting	Date
Monitoring Officer (Introduced by the Executive Leader)	Executive Cabinet	21 June 2012

THE STANDARDS REGIME AFTER 1 JULY 2012

PURPOSE OF REPORT

1. To advise Members of the proposed Code of Conduct and complaints procedure to be adopted from 1 July 2012.

RECOMMENDATION(S)

2. That the Executive Cabinet adopt the draft Code of Conduct attached at Appendix 1 to this report for the Council to comply with from 1 July 2012, such adoption to be ratified by Full Council on 17 July.
3. That the Executive Cabinet adopt the proposed complaints procedure attached at Appendix 2 to this report for the administration of complaints made to the Council from 1 July 2012, such adoption to be ratified by Full Council on 17 July.
4. That the Executive Cabinet delegate to the Executive Leader the authority to amend the Code of Conduct to reflect any alteration, addition or amendment introduced by Regulations issued under the Localism Act 2011.
5. That the recruitment procedure for Independent Members to the Standards Sub-Committees be noted.

EXECUTIVE SUMMARY OF REPORT

6. The Localism Act 2011 revokes the existing standards regime and replaces it with a lighter touch more localist scheme. The model Code of Conduct which Councils were obliged to adopt has gone, Councils are required only to have a code of conduct which is compliant with the Nolan Principles.
7. Standards for England has been closed and there is no longer a central body who coordinates standards matters, the localist agenda dictating this is a matter for each authority to consider themselves.
8. These changes have been reported to Council before and some action has already been taken on them with the Standards Committee merging with the Audit Committee to become the Governance Committee. Standards will largely be the dealing of complaints only and this will be a function of a sub-committee of Governance.
9. There are a number of issues however which have been delayed in their progress or indeed remain outstanding and for which we have yet to have definitive guidance or Regulations issued by Central Government. We have recently been issued with a draft Code of Conduct which has been prepared by the LGA. However, the Regulations concerning what constitutes a pecuniary interest remain outstanding.
10. Neither has any guidance been issued on an appropriate approach to the administration of complaints.
11. The documents appended for approval are done so to ensure compliance with the legislation, and should be adopted prior to the 1 July. This is however, a Council decision and is subject to ratification at Full Council on 17 July next. It has to be noted that the issue of Regulations will impact on these document and the resolution to delegate authority to the

Executive Leader to make consequential amendments will ensure the continued compliance by the Council.

Confidential report Please bold as appropriate	Yes	No
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Key Decision? Please bold as appropriate	Yes	No
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REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

- Under the terms of the Localism Act 2011 and Statutory Instruments issued under it the Council are obliged to adopt a Code of Conduct that is compliant with the Nolan Principles and a process for the administration of complaints made under the code.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- That the form of Code of Conduct issued by the Department of Communities and Local Government be adopted. This is not felt appropriate as the form of this code is directive in nature, it is in terms of “you will do” as opposed to “I will do”. This makes it less personal to the Members having the appearance of being imposed.

CORPORATE PRIORITIES

- This report relates to the following Strategic Objectives:

Strong Family Support		Education and Jobs	
Being Healthy		Pride in Quality Homes and Clean Neighbourhoods	
Safe Respectful Communities		Quality Community Services and Spaces	
Vibrant Local Economy		Thriving Town Centre, Local Attractions and Villages	
A Council that is a consistently Top Performing Organisation and Delivers Excellent Value for Money			

BACKGROUND

- It has previously been reported to Council that it will be obliged to adopt a new Code of Conduct and process for the administration of complaints by 1 July 2012. It was accepted by all members that whilst the approval of a Code of Conduct was a Full Council decision given the timings it would be appropriate for this to be considered by the Executive, with a view to the decision being endorsed by Full Council in July.
- The Code of Conduct attached at Appendix 1 is in the form of a declaration by each member to uphold the Nolan Principles of Selflessness, integrity, objectivity, accountability, openness, honesty and leadership. It goes on to specifically explain how the member will discharge these obligations.
- It is recommended that this Code of Conduct is preferable to the one issued by the Department for Communities and Local Government (attached at Appendix 3). By making the Code a personal commitment by the Member it is seen as an obligation being taken on rather than a burden being imposed.
- That is not to say the CLG code should be wholly dismissed. The wording relating to the registration of interests has been adapted and used within the body of the Code at Appendix 1.
- At present the definition of “pecuniary interest” has not been provided by regulation. This will be circulated to Members as soon as it is received.

20. The procedure for administering complaints contained at Appendix 2 mimics in part the current process. There is still an initial assessment process undertaken by the Council's Monitoring Officer in consultation with an Independent Member, although this assessment is within a defined framework.
21. There is a discretion for the Monitoring Officer and Independent Member to elect to deal with minor matters at this stage, and again the considerations to be taken into account are prescribed within the procedure. It should be noted though that where the Monitoring Officer and Independent Member disagree, the view of the Independent Member is paramount as they are intended to be the views of the public.
22. The complainant may request that their complaint be anonymised. These requests will only be entertained on limited grounds relating to any risk to the complainants health, safety or employment. In assessing this the Monitoring Officer will be reluctant to pass an anonymous complaint without very compelling evidence of need.
23. If a matter is referred for investigation, this will be undertaken by an officer of this Council who will undertake a proportionate but thorough investigation. The investigating officer will prepare a report which will make a finding as to whether there was a breach and provide copies to the subject of the complaint and the complainant for comment.
24. The final report will be forwarded to the Monitoring Officer. Where the report makes a finding of no breach, the MO will consider the report and if it is found to be satisfactory make a Confirmation Decision and notify the subject of the complaint and complainant. If the report is not found to be satisfactory, the MO will refer it back to the investigating officer for reconsideration.
25. Where the report finds there was a breach of the Code, the MO will consider the severity of the breach. If the breach is minor, the MO may in consultation with the Independent Member seek a Local Resolution. This will require the engagement of the complainant and the subject of the complaint and may be in the form of an apology or other remedial action. All parties must agree to the process and undertake any agreed action at its conclusion. Failure to do so will mean the matter is referred to a Hearing Sub-Committee.
26. If the breach is sufficiently severe this will also warrant referral by the MO to a Hearing Sub-Committee.
27. The Hearing Sub-Committee will be drawn from Members of the Governance Committee. There will be at least 2 groups represented on each sub-committee. Although political balance is not required, as a members duty when serving on the sub-committee is to compliance with the Code of Conduct, every effort will be made when assembling a sub-committee to ensure all political views are represented. An Independent Member will also be invited to sit with the Hearing Sub and their views must be taken into account when a decision is reached, both in connection with the determination on breach and on sanction.
28. Independent Members must not have served on the Council in the preceding 5 years either as a Member, a co-opted Member or an officer.
29. If the Hearing Sub-Committee find that there was no breach then no further action will be taken and all parties will be notified of this. If the finding is that the subject of the complaint breached the code of conduct then they will consider the severity of the breach found and consider the appropriate sanction to attach.
30. If a finding of breach of the code of conduct is made it will be usual for the Hearing Sub to publish this finding in a local newspaper and to report it to the Governance Committee for reporting to Full Council. It is open for the Hearing Sub-Committee to conclude that the finding and reporting is sanction enough.
31. Under the regime the sanctions which may be imposed will be less onerous than those under the previous scheme. The Hearing Sub may
 - a. Recommend to a group leader that the subject of the complaint is removed from any or all committees or sub-committees of the Council;
 - b. Recommend that the member be removed from the Executive or lose any portfolio responsibilities;
 - c. Instruct the MO to arrange training for the member;
 - d. Remove the member from all outside body appointments;
 - e. Withdraw Council facilities such as access to a computer, email or intranet be for a period of time; or

- f. Exclude the member from Council offices or other premises other than for the purposes of attending Council, Committee and Sub-Committee meetings for a period of time.
32. Members are asked to note that they are not obliged to adopt all the sanctions available and are not required to adopt them all. However, Members are reminded that these are intended as a sanction for behaviour that has fallen below the adopted standard. The harsher sanctions that interfere with the Members ability to discharge their democratic duties (sanctions e and f above) are only likely to be used for the more serious matters.
 33. Sanctions (a) and (b) can only be recommendations as these are matters for the groups and the Executive Leader, however, there is an expectation that unless there is a good reason the recommendations will be adopted. The remaining matters are for full council and can properly be delegated to the Hearing Sub-Committee for a binding decision.
 34. There is a right of appeal against a finding of the Hearing Sub-Committee. The process is set out in the Arrangements document. Any challenge to the appeal decision should be by way of Judicial Review or to the process a complaint should be made to the Local Government Ombudsman. This is to try to ensure that the complaints are dealt with quickly and there is certainty at the outcome.
 35. The Council are responsible for receiving standards complaints relating to the Parish Councils within the Borough. Whilst each Parish may adopt their own code of conduct it is expect this will mirror the code adopted by this Council. The process for dealing with the complaints will be the same. It is not envisaged that any Parish Members will be appointed to sit on the Standards Sub-Committees this will be reviewed to ensure they process and systems are sufficient to meet the Council's needs.
 36. Complaints that do not progress through initial assessment will be reported (in an anonymised form) to Governance Committee. This is to enable feedback to be provided on the approach taken by the MO and the Independent Member and ensure that the complaints are being properly dealt with.
 37. There has been no guidance issued by central government either on the nature of pecuniary and special interests nor on the expected process to be followed when a complaint is received. The complaints process is therefore subject to amendment if such regulation is issued.
 38. It should be noted that recently the LGA have made representations to the CLG concerning the commencement date of the new standards regime. As no guidance has been given concerning the definition of pecuniary interest it is unreasonable to expect members to be bound by a code which references them. No response has yet been received to this representation and at present the timetable to the 1 July stands.

CRIMINAL LIABILITY

39. Whilst this does not form part of the new Code of Conduct, members should be aware of the criminal liability imposed in connection with failure to comply with their obligations in relation to the disclosure of pecuniary interests and their participation in relation to matters in which they have a pecuniary interest. The following are offences punishable by summary conviction:-
 - a. Failing to
 - i. **Register** a disclosable pecuniary interest with the MO within 28 days of election
 - ii. **Disclose** an none registered pecuniary interest in an issue being considered at a meeting of the Council
 - iii. **Register** a disclosable pecuniary interest within 28 days of its disclosure at a Council meeting
 - iv. **Register** a disclosable pecuniary interest within 28 days of it becoming apparent to the member that the interest exists.

It is also an offence, to knowingly or recklessly provide information a member knows to be false in registering or disclosing a pecuniary interest.
 - b. Participating in a discussion and/or vote at a Council meeting on an issue in which the member has a disclosable pecuniary interest.

- c. Taking any steps in relation to a matter in which the member has a disclosable pecuniary interest.
 - i.

40. The Council will not pursue these criminal matters under the standards regime (although they will pursue standards complaints on these issues) but will refer any such complaint to the police for investigation.

PREDETERMINATION

- 41. Predetermination is not a standards issue and does not fall to be regulated by the Code of Conduct. The Localism Act has however, extinguished the common law rule and introduced a statutory approach. Members are entitled to have a predisposition to an issue. It is recognised that in many matters it would be impossible not to form your own view and indeed, some decisions may relate to specific issues a member has campaigned on to be elected in the first place.
- 42. A Member is not entitled to have a closed mind on an issue. In other words, they are not allowed to approach any decision in a frame of mind where nothing would change their view.
- 43. Further guidance will be provided to Members on this matter.

IMPLICATIONS OF REPORT

44. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	X	Customer Services	
Human Resources		Equality and Diversity	
Legal	X	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

45. There are no financial implications in budgetary terms associated with this report.

COMMENTS OF THE MONITORING OFFICER

46. As per the report. Since the drafting of the report, draft regulations concerning pecuniary interests has now been circulated. Additional information will be provided to members in the near future.

CHRIS MOISTER
MONITORING OFFICER

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Monitoring Officer	5160	28 May 2012	***

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Code of Conduct

As a member or co-opted member of Chorley Council I have a responsibility to represent the community and work constructively with our staff and partner organisations to secure better social, economic and environmental outcomes for all.

In accordance with the Localism Act provisions, when acting in this capacity I am committed to behaving in a manner that is consistent with the following principles to achieve best value for our residents and maintain public confidence in this authority.

SELFLESSNESS: Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

INTEGRITY: Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

OBJECTIVITY: In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

ACCOUNTABILITY: Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

OPENNESS: Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

HONESTY: Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

LEADERSHIP: Holders of public office should promote and support these principles by leadership and example.

As a Member of Chorley Council, my conduct will in particular address the statutory principles of the code of conduct by:

Championing the needs of residents – the whole community and in a special way my constituents, including those who did not vote for me - and putting their interests first.

Dealing with representations or enquiries from residents, members of our communities and visitors fairly, appropriately and impartially.

Not allowing other pressures, including the financial interests of myself or others connected to me, to deter me from pursuing constituents' casework, the interests of the Borough or the good governance of the authority in a proper manner.

Exercising independent judgement and not compromising my position by placing myself under obligations to outside individuals or organisations who might seek to influence the way I perform my duties as a member/co-opted member of this authority.

Listening to the interests of all parties, including relevant advice from statutory and other professional officers, taking all relevant information into consideration, remaining objective and making decisions on merit.

Being accountable for my decisions and co-operating when scrutinised internally and externally, including by local residents.

Contributing to making this authority's decision-making processes as open and transparent as possible to enable residents to understand the reasoning behind those decisions and to be informed when holding me and other members to account but restricting access to information when the wider public interest or the law requires it.

Behaving in accordance with all our legal obligations, alongside any requirements contained within this authority's policies, protocols and procedures, including on the use of the Authority's resources.

Valuing my colleagues and staff and engaging with them in an appropriate manner and one that underpins the mutual respect between us that is essential to good local government.

Always treating people with respect, including the organisations and public I engage with and those I work alongside.

Providing leadership through behaving in accordance with these principles when championing the interests of the community with other organisations as well as within this authority.

I will also comply with my obligations under the Act in relation to the registration and disclosure of interests and in Chorley Council this will be done as follows:

I will, within 28 days of taking office as a member or co-opted member, notify Chorley Council's Monitoring Officer of any disclosable pecuniary interest as defined by Regulations made by the Secretary of State, where the pecuniary interest is mine, my spouse's or civil partner's or is a pecuniary interest of someone with whom I am living as husband and wife or as if we were civil partners.

In addition, I will, within 28 days of taking office as a member or co-opted member, notify Chorley Council's Monitoring Officer of any disclosable pecuniary or non-pecuniary interest which Chorley Council has decided should be included in the register.

If an interest has not been entered onto Chorley Council's register, then I will disclose the interest to any meeting of the authority at which I am present, where I have a disclosable interest in any matter being considered and where the matter is not a 'sensitive interest'.¹

Following any disclosure of an interest not on the authority's register or the subject of pending notification, I will notify the Monitoring Officer of the interest within 28 days beginning with the date of disclosure.

Unless dispensation has been granted, I will not participate in any discussion of, vote on, or discharge any function related to any matter in which I have a pecuniary interest as defined by Regulations made by the Secretary of State. Additionally, I will observe the restrictions Chorley Council place on my involvement in matters where I have a pecuniary or non pecuniary interest as defined by your authority.

¹ A 'sensitive interest' is described in the Localism Act 2011 as a member or co-opted member of an authority having an interest, and the nature of the interest being such that the member or co-opted member, and the authority's monitoring officer, consider that disclosure of the details of the interest could lead to the member or co-opted member, or a person connected with the member or co-opted member, being subject to violence or intimidation.

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CHORLEY BOROUGH COUNCIL**ARRANGEMENTS FOR DEALING WITH COMPLAINTS
ABOUT THE CONDUCT OF MEMBERS****Introduction**

1. This procedure applies when a complaint is received that a Member, Co-opted Member or Parish Member has or may have failed to comply with the relevant Code of Conduct for Members.
2. The person making the complaint will be referred to as “the Complainant” and the person against whom the complaint is made will be referred to as the “Subject Member.”
3. No Member or Officer will participate in any stage of the arrangements if he or she has, or may have, any personal conflict of interest in the matter.

4. Making a complaint

A complaint must be made in writing by post or email to: –

The Monitoring Officer
Chorley Council
Town Hall
Market Street
Chorley
PR7 1DP

OR

chris.moister@chorley.gov.uk

The Monitoring Officer will acknowledge receipt of the complaint within 5 working days of receiving it and, at the same time, write to the Subject Member with details of the allegations (subject to any representations from the Complainant on confidentiality, which are accepted as valid by the Monitoring Officer). The Subject Member may, within 5 working days of receipt, make written representations to the Monitoring Officer which he must take into account when deciding how the complaint will be dealt with. Representations received after this time may be taken into account, at the discretion of the Monitoring Officer, but will in any event not be considered after the Monitoring Officer has issued his Initial Complaint Assessment.

5. Complaint Initial Assessment

The Monitoring Officer will review the complaint and, after consultation with the Independent Person, take a decision (a Complaint Initial Assessment) as to

whether it merits formal investigation, or another course of action. This decision will normally be taken within 21 days of receipt of a complaint.

If the complaint fails one or more of the following tests, it will be rejected:

- The complaint must be against one or more named Members or co-opted Members of the Council or a parish council within its district;
- The Subject Member must have been in office at the time of the alleged conduct and the Code of Conduct was in force at the time;
- The complaint, if proven, would be a breach of the Code of Conduct under which the subject Member was operating at the time of the alleged misconduct.

If appropriate, the Monitoring Officer will then go on to apply the following criteria in deciding whether a complaint should be accepted for investigation, dealt with informally, or rejected:

- Whether a substantially similar allegation has previously been made by the Complainant, or the complaint has been the subject of an investigation by another regulatory authority;
- Whether the complaint is about something that happened so long ago that those involved are unlikely to remember it clearly enough to provide credible evidence, or where the lapse of time means there would be little benefit or point in taking action now;
- Whether the allegation is anonymous;
- Whether the allegation discloses a potential breach of the Code of Conduct, but the complaint is not serious enough to merit any action and:-
 - (i) the resources needed to investigate and determine the complaint are wholly disproportionate to the allegations;
 - (ii) whether, in all the circumstances, there is no overriding public benefit in carrying out an investigation;
- Whether the complaint appears to be malicious, vexatious, politically motivated or tit-for-tat;
- Whether the complaint although in itself minor in nature suggests that there is a wider problem throughout the authority;

- Whether it is apparent that the subject of the allegation is relatively inexperienced as a Member, or has admitted making an error and the matter would not warrant a more serious sanction;

- Whether training or conciliation would be the appropriate response;

6. Additional Information

The Monitoring Officer may obtain additional factual information to come to a decision and may request information from the Subject Member. Where the complaint relates to a Parish Councillor, the Monitoring Officer may also inform the Parish Council or the complaint and seek the views of the Parish Council before deciding whether the complaint merits formal investigation or other action. In appropriate cases, the Monitoring Officer may seek to resolve the complaint informally, without the need for an investigation. Such informal resolution may involve the Subject Member accepting that his/her conduct was unacceptable and offering an apology, or taking other steps. Where the Subject Member or the authority (in appropriate cases) make a reasonable offer of Local Resolution, but it is rejected by the Complainant, the Monitoring Officer will take account of this in deciding whether the complaint merits formal investigation.

If the complaint identifies criminal conduct or breach of other regulations by any person, the Monitoring Officer is authorised to report this to the Police or other prosecuting or regulatory authorities.

7. Confidentiality

If a Complainant has asked for their identity to be withheld, this request will be considered by the Monitoring Officer at the Complaint Initial Assessment stage.

As a matter of fairness and natural justice, the Subject Member should usually be told who has complained about them and receive details of the complaint. However, in exceptional circumstances, the Monitoring Officer may withhold the Complainant's identity if on request from the Complainant, or otherwise, they are satisfied that the Complainant has reasonable grounds for believing that they or any witness relevant to the complainant may be at risk of physical harm, or his or her employment may be jeopardised if their identity is disclosed, or where there are medical risks (supported by medical evidence) associated with the Complainant's identity being disclosed.

If the Monitoring Officer decides to refuse a request by a Complainant for confidentiality, they will offer the Complainant the option to withdraw the complaint, rather than proceed with his or her identity being disclosed. The Monitoring Officer will balance whether the public interest in taking action on a complaint will outweigh the Complainant's wish to have his or her identity withheld from the Subject Member

8. Investigation

If the Monitoring Officer decides that a complaint merits formal investigation, they will appoint an Investigating Officer, who may be a Council officer, an officer of another Council, or an external investigator.

The Investigating Officer will follow guidance issued by the Monitoring Officer on the investigation of complaints. The guidance will follow the principles of proportionality and the cost-effective use of Council resources and shall be interpreted in line with these principles.

The Investigating Officer will ensure that the Subject Member receives a copy of the complaint – subject to a Monitoring Officer decision on Confidentiality.

At the end of their investigation, the Investigating Officer will produce a draft report and will send copies of that draft report to the Complainant and to the Subject Member, for comments. The Investigating Officer will take such comments into account, before issuing their final report to the Monitoring Officer.

9. Investigating Officer finding of insufficient evidence of failure to comply with the Code of Conduct

The Monitoring Officer will review the Investigating Officer's report and, if they are satisfied that the Investigating Officer's report is satisfactory, will make a Confirmation Decision to confirm the finding of no failure to comply with the Code of Conduct.

The Monitoring Officer will write to the Complainant and the Subject Member (and to the Parish Council, where the complaint relates to a Parish Councillor), with a copy of the Confirmation Decision and the Investigating Officer's final report.

If the Monitoring Officer is not satisfied that the investigation has been conducted satisfactorily, he may ask the Investigating Officer to reconsider their report and conclusion.

10. Investigating Officer finding of sufficient evidence of failure to comply with the Code of Conduct

The Monitoring Officer will review the Investigating Officer's report and will then either send the matter for local hearing before the Hearings Panel or, after consulting the Independent Person, seek Local Resolution.

11. Local Resolution

If the Monitoring Officer considers that the matter can reasonably be resolved without the need for a hearing, they will consult with the Independent Person and the Complainant and seek to agree a fair resolution. Such resolution may include the Member accepting that their conduct was unacceptable and offering

an apology, and/or other remedial action. If the Member accepts the suggested resolution, the Monitoring Officer will report the outcome to the Standards Committee and the Parish Council (if appropriate) for information, but will take no further action. If the Complainant or the Subject Member refuses Local Resolution in principle or to engage with the agreed outcome, the Monitoring Officer will refer the matter for a Local Hearing without further reference to the Complainant or the Subject Member.

12. Local Hearing

Where, in the opinion of the Monitoring Officer, Local Resolution is not appropriate or the Complainant and/or Subject Member refuse to co-operate, then the Monitoring Officer will report the Investigating Officer's report to the Hearings Panel which will conduct a Local Hearing before deciding whether the Member has failed to comply with the Code of Conduct and, if so, whether to take any action in respect of the Member.

The Council has agreed a procedure for local hearings, which is attached as Appendix A to these arrangements.

13. Constitution of the Hearings Panel

The Hearings Panel is a Sub-Committee of the Council's Governance Committee. The Council has decided that a Hearings Panel will be comprised of a maximum of three Members, and comprising Members should be drawn from at least 2 different political parties. There is no requirement for political proportionality and Members who sit on a Hearings Panel have a duty to the Council's Code of Conduct and will be expected to consider matters accordingly.

The Independent Person is invited to attend all meetings of the Hearings Panel and their views are sought and must be taken into consideration before the Hearings Panel takes any decision on whether the Member's conduct constitutes a failure to comply with the Code of Conduct and as to any action to be taken following a finding of failure to comply with the Code of Conduct.

The Hearings Panel are not bound by the views of the Independent Member but where they depart from the view their decision should contain reasons why.

14. Who is the Independent Person?

The Independent Person is a person who has applied for the post following advertisement of a vacancy for the post, and is appointed by a positive vote from a majority of all the Members of Council.

A person cannot be "independent" if he/she –

14.1 Is, or has been within the past 5 years, a Member, co-opted Member or officer of the authority;

14.2 Is or has been within the past 5 years, a Member, co-opted Member or officer of a parish council within the authority's area, or

14.3 Is a relative, or close friend, of a person within paragraph 14.1 or 14.2 above. For this purpose, "relative" means –

14.3.1 Spouse or civil partner;

14.3.2 Living with the other person as husband and wife or as if they were civil partners;

14.3.3 Grandparent of the other person;

14.3.4 A lineal descendent of a grandparent of the other person;

14.3.5 A parent, sibling or child of a person within paragraphs 14.3.1 or 14.3.2;

14.3.6 A spouse or civil partner of a person within paragraphs 14.3.3, 14.3.4 or 14.3.5; or

14.3.7 Living with a person within paragraphs 14.3.3, 14.3.4 or 14.3.5 as husband and wife or as if they were civil partners.

15. Action the Hearings Panel may take where a Member has failed to comply with the Code of Conduct

Where a Hearings Panel find that a member has failed to comply with the Code of Conduct, the Council has delegated to the Hearings Panel such of its powers to take action in respect of individual Members as may be necessary to promote and maintain high standards of conduct. Accordingly the Hearings Panel may –

15.1 Publish its findings in respect of the Member's conduct;

15.2 Report its findings to Council (or to the Parish Council) for information;

15.3 Recommend to the Member's Group Leader (or in the case of ungrouped Members, recommend to Council or to Committees) that he/she be removed from any or all Committees or Sub-Committees of the Council;

15.4 Recommend to the Leader of the Council that the Member be removed from the Executive, or removed from their Portfolio responsibilities;

15.5 Instruct the Monitoring Officer to (or recommend that the Parish Council) arrange training for the Member;

15.6 Remove (or recommend to the Parish Council that the Member be removed) from all outside body appointments to which they have been appointed or nominated by the Council (or by the Parish Council);

15.7 Withdraw (or recommend to the Parish Council that it withdraws) facilities provided to the Member by the Council, such as a computer, website and/or email and Internet access; or

15.8 Exclude (or recommend that the Parish Council exclude) the Member from the Council's offices or other premises, with the exception of meeting rooms as necessary for attending Council, Committee and Sub-Committee meetings.

16. Revision of these arrangements

The Council may by resolution or delegation to the Monitoring Officer agree to amend these arrangements and has delegated to the Chair of the Hearings Panel the right to depart from these arrangements where they consider that it is expedient to do so in order to secure the effective and fair consideration of any matter.

17. Appeals

The subject of the complaint has the right to appeal both against findings of breach of the code and against sanction.

The appeal must be in writing and received by the Monitoring Officer within 7 days of the date of the Hearing Sub-Committee decision being made. The appeal must state whether the challenge is against the finding of breach or against the sanction imposed only.

The Monitoring Officer will arrange for an Appeal Sub-Committee to be convened within 7 days of the receipt of any appeal. The Appeal Sub-Committee comprising of 3 Members will be drawn from the Governance Committee and will not include Members who sat on the Hearing Sub-Committee. A different Independent Member will also be used. The Appeal will follow the procedure used for Hearing Panels.

Subject to Judicial Review, or a decision of the Local Government Ombudsman, there is no further right of appeal against a decision of the Monitoring Officer or of the Appeals Panel.

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Stage 1: Setting the scene

1. After all the everyone involved has been formally introduced, the Chair will explain how the Committee is going to run the hearing.
2. The Chair will introduce the Independent Member and advise the Member that whilst they do not have a decision making role they are present to provide an independent view which the Committee are obliged to consider.
3. The Chair will ensure that the Member is ready and happy to proceed. If the Member indicates that they are not ready, they must give reasons why. The Committee will decide whether the hearing should proceed and must act reasonably in coming to that decision. Where the Member has indicated they are not ready but the Committee decide to proceed they should given reasons why.

Stage 2: Making findings of fact

4. The Committee will ask the Member whether there are any significant disagreements about the facts contained in the Investigating Officer's report. If there is no disagreement about the facts, the Committee can move on to the next stage of the hearing.
5. If there is a disagreement, the Investigating Officer, will be invited to make representations on the challenged facts, but these are to be confined to matters contained within the report.
6. The Member will then have the opportunity to make representations to support their stated position.
7. At any time, the Committee may question the Investigating Officer or the Member.
8. If the Member disagrees with most of the facts, the Committee may invite the Investigating Officer to make representations on all the relevant facts, instead of discussing each fact individually.
9. If the Member disagrees with any relevant fact in the Investigating Officer's report, without having given prior notice of the disagreement, they must give good reasons for not mentioning it before the hearing.
10. After considering the Member's explanation for not raising the issue at an earlier stage, the Committee may then:
 - continue with the hearing, relying on the information in the Investigating Officer's report
 - allow the Member to make representations about the issue, and invite the Investigating Officer to respond
 - postpone the hearing to allow the Investigating Officer to consider and investigate the new issue.
11. The Committee will usually move to another room to consider the representations and evidence in private also present will be the clerk to the Committee and the Independent Member. On their return, the Chair will announce the Committee's findings of fact.

Stage 3: Did the Member fail to follow the Code of Conduct?

12. Having made the finding on the facts the Committee will then consider whether the Member has failed to follow the Code.
13. The Member should be invited to give relevant reasons why the Committee should decide that they have not failed to follow the Code.
14. The Committee should then consider any verbal or written representations from the Investigating Officer.
15. The Committee may, at any time, question anyone involved on any point they raise on their representations.
16. The Member should be invited to make any final relevant points.

17. The Committee will then move to another room to consider the representations. The Independent Member will accompany them and their views should be sought and considered by the Committee. Where the Committee depart from the view of the Independent Member they should record the reasons why.
18. On their return, the Chair will announce the Committee's decision as to whether the Member has failed to follow the Code.

If the Member has not failed to follow the Code of Conduct

19. If the Committee decides that the Member has not failed to follow the Code, the Committee will notify the Member accordingly and record the decision.

If the Member has failed to follow the Code of Conduct

20. If the Committee decides that the Member has failed to follow the Code, it will consider any verbal or written representations from the Investigating Officer and the Member as to:
 - whether the committee should apply a sanction
 - what form any sanction should take
21. The Committee may question the Investigating Officer and Member, and take legal advice, to make sure they have the information they need in order to make an informed decision.
22. The Committee will then deliberate with the Independent Member in private to consider whether to impose a sanction on the Member and, if so, what sanction it should be. As previously the Independent Member will not be able to participate in making the decision (ie vote) but their views must be considered by the Committee. Where the Committee depart from the Independent Members views they must record reasons why.
23. The Committee will be limited to the sanctions listed in the procedure for the administration of complaints. The Committee must ensure that any sanction is reasonable and proportionate to the breach.
24. On their return, the Chair will announce the Committee's decision.

Illustrative text for code dealing with the conduct expected of members and co-opted members of the authority when acting in that capacity

You are a member or co-opted member of the [name] council and hence you shall have regard to the following principles – selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

Accordingly, when acting in your capacity as a member or co-opted member -

You must act solely in the public interest and should never improperly confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family, a friend or close associate.

You must not place yourself under a financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.

When carrying out your public duties you must make all choices, such as making public appointments, awarding contracts or recommending individuals for rewards or benefits, on merit.

You are accountable for your decisions to the public and you must co-operate fully with whatever scrutiny is appropriate to your office.

You must be as open as possible about your decisions and actions and the decisions and actions of your authority and should be prepared to give reasons for those decisions and actions.

You must declare any private interests, both pecuniary and non-pecuniary, that relate to your public duties and must take steps to resolve any conflicts arising in a way that protects the public interest, including registering and declaring interests in a manner conforming with the procedures set out in the box below.

You must, when using or authorising the use by others of the resources of your authority, ensure that such resources are not used improperly for political purposes (including party political purposes) and you must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

You must promote and support high standards of conduct when serving in your public post, in particular as characterised by the above requirements, by leadership and example.

Registering and declaring pecuniary and non-pecuniary interests

You must, within 28 days of taking office as a member or co-opted member, notify your authority's monitoring officer of any disclosable pecuniary interest as defined by regulations made by the Secretary of State, where the pecuniary interest is yours, your spouse's or civil partner's, or is the pecuniary interest of somebody with whom you are living with as a husband or wife, or as if you were civil partners.

In addition, you must, within 28 days of taking office as a member or co-opted member, notify your authority's monitoring officer of any disclosable pecuniary or non-pecuniary interest which your authority has decided should be included in the register.

If an interest has not been entered onto the authority's register, then the member must disclose the interest to any meeting of the authority at which they are present, where they have a disclosable interest in any matter being considered and where the matter is not a 'sensitive interest'.¹

Following any disclosure of an interest not on the authority's register or the subject of pending notification, you must notify the monitoring officer of the interest within 28 days beginning with the date of disclosure.

Unless dispensation has been granted, you may not participate in any discussion of, vote on, or discharge any function related to any matter in which you have a pecuniary interest as defined by regulations made by the Secretary of State. Additionally, you must observe the restrictions your authority places on your involvement in matters where you have a pecuniary or non pecuniary interest as defined by your authority.

¹ A 'sensitive interest' is described in the Localism Act 2011 as a member or co-opted member of an authority having an interest, and the nature of the interest being such that the member or co-opted member, and the authority's monitoring officer, consider that disclosure of the details of the interest could lead to the member or co-opted member, or a person connected with the member or co-opted member, being subject to violence or intimidation.



Report of	Meeting	Date
The Head of Governance	Governance Committee	28 June 2012

GUIDANCE TO COUNCILLORS SERVING ON OUTSIDE BODIES

PURPOSE OF REPORT

- To bring to the Governance Committee’s attention for comment and/or approval a guidance document for councillors serving on outside bodies.

RECOMMENDATION(S)

- That Members consider the attached Guidance to Councillors Serving on Outside Bodies, and to agree to its circulation and publication to all members.

EXECUTIVE SUMMARY OF REPORT

- As part of the Annual Governance Statement for 2011 the Head of Governance was tasked with providing a single guidance document to assist Members serving on outside bodies. Unfortunately this piece of work slipped on the timetable due to the number of outside bodies represented.
- The Guidance document provides a generic approach to be followed by members, and is to be used as a steer on what considerations a Chorley Councillor sitting on an outside body should have when discharging that function.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

- This report relates to the following Strategic Objectives:

Strong Family Support		Education and Jobs	
Being Healthy		Pride in Quality Homes and Clean Neighbourhoods	
Safe Respectful Communities		Quality Community Services and Spaces	
Vibrant Local Economy		Thriving Town Centre, Local Attractions and Villages	
A Council that is a consistently Top Performing Organisation and Delivers Excellent Value for Money			X

BACKGROUND

- Previously, a number of Councillor’s had raised issues concerning the role they are asked to perform when appointed to sit on an outside body. There is an apparent conflict around discharging their role as a Chorley Councillor and protecting the Council’s interests and their role as a member of the outside body and protecting the bodies interests.

7. This was recognised and it was recommended that the Head of Governance draft a guidance document for members and this formed part of the Annual Governance Statement Action Plan for 2011.
8. Initially, the task was to be completed by October 2011. However, a combination of work pressure and the number of outside bodies to consider delayed the completion of the document.
9. It was hoped to provide a comprehensive guidance document. This has not proved to be a realistic aim. The Council appoint to many outside bodies, each with their own constitutional document (to a greater or lesser degree). A single guide covering all obligations for all bodies would be too lengthy to be of any help to members. Similarly, it was not felt appropriate to draft individual guides for each outside body.
10. The result was to produce a high level guide which sets out Councillors broad obligations and signposts where to obtain more specific information.
11. It is believed this is the best approach to the issue and is to be used as a Councillors first port of call. If the guide fails to provide an adequate response to the Councillors query then any issues can still be raised with either the Secretary to the outside body (or equivalent) or with the Council's Head of Governance.

IMPLICATIONS OF REPORT

12. This report has implications in the following areas and the relevant Directors' comments are included:

Finance		Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	
No significant implications in this area	X	Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

13. There are no legal implications as this is an internal guidance note for Councillors information.

COMMENTS OF THE MONITORING OFFICER

14. The guidance note is not a substitute for comprehensive advice and Councillors who have particular concerns which are not addressed adequately in the document should contact either the outside body or Head of Governance for advice.

Head of Governance

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Chris Moister	5160	19 June 2012	

Chorley Borough Council

Guidance to Councillors: Serving on Outside Bodies

Councillors who serve in a decision-making capacity as members of outside bodies, whether companies, trusts or other associations, owe duties and responsibilities to those bodies which are separate and distinct from their duties owed to the Council. On occasion, the duties owed to the outside body and to the Council will conflict.

In respect of all outside body appointments Councillors should consider the bodies constitutional document(s) and abide by them.

The following guidance, whilst specifically relating to Councillors serving as a director of a company, can be used as general principles for serving on all outside bodies.

Guidance for company directors-

- 1) Act in the company's best interests, taking everything you think relevant into account;
- 2) Obey the company's constitution and decisions taken under it;
- 3) Be honest, and remember that the company's property belongs to it and not to you or to its shareholders;
- 4) Be diligent, careful and well informed about the company's affairs. If you have any special skills or experience, use them;
- 5) Make sure the company keeps records of your decisions;
- 6) Remember that you remain responsible for the work you give to others;
- 7) Avoid situations where your interests conflict with those of the company. When in doubt disclose potential conflicts quickly and take advice from the Company Secretary, prior to the meeting, on the particular issue concerned;
- 8) Seek external advice where necessary, particularly if the company is in financial difficulty.

The following are the main legal duties of directors of companies. Most of these obligations also apply to trustees and to members of committees of associations.

Good Faith:

A Director's primary duty is to act in good faith, in the best interests of the company and its objects. A Director owes a fiduciary duty to their company, which means the Director owes loyalty to the company and must act in the way the Director considers would promote the success of the company for the benefit of its members as a whole, having regard to the likely consequences of decisions in the long term and having regard to the interests of the company's employees, the need to foster the company's business relationships with suppliers, customers and others, the impact on the community and the environment, high standards of business conduct and the need to act fairly between members of the company.

Care, Diligence and Skill:

A Director must exercise the general knowledge, skill and experience that a reasonably diligent person would use for carrying out the Director's functions however if the Director actually has a greater general knowledge, skill and experience to carry out those functions then Director would be expected to exercise that greater knowledge, skill and expertise

Although Directors are not bound to attend all Meetings of Directors, attendance should be as frequent as possible and Directors should ensure that they are reasonably informed at all times.

Certain duties must be performed by officials e.g. Secretary and a Board of Directors who have made sensible arrangements authorising others to act on their behalf are entitled to trust those officials to perform their duties honestly. However, Directors should take steps to ensure that delegated responsibilities are properly performed.

Honesty:

Directors must exercise their powers for proper purposes only. They must not allow personal interests to conflict with those of the organisation.

Where a Director is directly or indirectly interested in a contract or proposed contract with the organisation, the Director is legally bound by the Companies Acts to declare the nature of the interest at a Meeting of the Board of Directors and may also need shareholders consent.

All company property in the hands of Directors or under their control must be applied for the purposes of the organisation. Directors have a duty not to make any profit out of a transaction of the organisation, or to accept any financial inducements.

Not to Exceed Powers:

Directors are under a duty to see that they do not act beyond the powers of the organisation. They must ensure that they do not exceed the powers conferred on them by the Memorandum and Articles of Association or constitution which can result in personal liability for Directors. They must not act illegally.

Exercise Financial Responsibility:

Directors have a duty to ensure that the company operates within the limits of its financial resources, actual and expected. Despite the limited liability of a company, Directors can incur personal liability for its debts and obligations in certain circumstances.

For example Directors can be held personally liable if they have allowed a company to operate, or continue to operate, where there was no reasonable prospect that it could and would pay its debts, and these are left unpaid after the liquidation of the company. It follows that Directors must be extremely scrupulous in the attention they pay to their company's present and future liquidity, and in ensuring that their concerns and actions are minuted and to seek professional advice if there are concerns.

Comply with the Companies Acts:

Directors also have a duty to ensure that the company complies with the requirements of the Companies Acts, although they will normally look to the Company Secretary to ensure compliance.

An organisation's constitution generally says little about how the Board of Directors should run the organisation. In general, a company's Memorandum and Articles of Association will state the objectives of the organisation in the broadest terms and will provide rules for the appointment and periodic re-election of the Board of Directors. The actual responsibility for the running of the organisation is in the hands of the Board, and Directors must take appropriate steps to ensure the good management of their organisations.

Exercise Independent Judgement

Directors must use their independent judgement.

The following are general considerations for Councillors who serve in outside bodies.

Liability Issues:

Because Councillors who serve as Directors of companies, or in other decision-making capacities on outside bodies, serve the particular body rather than the Council, it follows that the Council cannot indemnify them against claims brought against them personally. Where there is any possibility of legal liability, therefore, the company or other body should effect appropriate insurance cover for its Directors, Company Officers, Committee Members etc.

The Council's insurance cover will extend to Councillors assisting outside organisations as advisers or observers, either facilitating exchanges of views or information as an extension of their Council duties or otherwise representing the Council, but the Council's insurance cover does not extend to indemnify Councillors who serve in an executive capacity on an outside body. Councillors should be clear that if they serve on an outside body as decision makers, they do so in a personal capacity. Outside bodies on which Councillors serve, therefore, should effect their own insurance cover.

Councillors are urged to raise this issue with the Company Secretary or equivalent for any outside body to which they are appointed.

Conflicts of Interest:

Where Councillors serve as members or Directors of outside bodies, it is inevitable that conflicts will arise, from time to time, between the duties they owe to the outside body, and the duties they owe to the Council. Conflicting interests should be declared on every occasion. Decisions on whether a councillor can participate in discussion of, and votes on, the particular item of business at a Council or a Council Committee where there is a conflict of interest. will require to be made against the background of the Councillors Code of Conduct and any advice sought and obtained from the Council's Monitoring Officer.