



Governance Committee

Agenda and Reports

For consideration on

Thursday, 17th January 2013

In Committee Room 1, Town Hall, Chorley

At 2.30 pm

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08 January 2013

Dear Colleague

GOVERNANCE COMMITTEE - THURSDAY, 17TH JANUARY 2013

You are invited to attend a meeting of the Governance Committee to be held in Committee Room 1, Town Hall, Chorley on Thursday, 17th January 2013 commencing at 2.30 pm.

AGENDA

1 **Apologies for absence**

2 **Minutes (Pages 1 - 6)**

To confirm the minutes of the Governance Committee meeting held on 27 September 2012.

3 **Declarations of Any Interests**

Members are reminded of their responsibility to declare any pecuniary interest in respect of matters contained in this agenda.

If you have a pecuniary 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.

4 **Standards Regime - Six Month Review (Pages 7 - 8)**

Report of the Monitoring Officer (enclosed)

5 **Granting of a dispensation (Pages 9 - 10)**

Report of the Monitoring Officer (enclosed)

6 **Planned Audit Fee for 2012/13 (Pages 11 - 14)**

To consider the enclosed letter from Chorley's newly appointed external auditors Grant Thornton

7 **Internal Audit Update as at 30 November 2012 (Pages 15 - 22)**

Report of Head of Shared Assurance Services (enclosed)

8 **Annual Governance Statement 2012 - Progress Report (Pages 23 - 28)**

Report of Head of Shared Assurance Services (enclosed)

9 **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 Alison Hansford (Vice-Chair), 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), Dawn Highton (Principal Auditor) and Dianne Scambler (Democratic and Member Services Officer) for attendance.
3. Agenda and reports to Peter Ripley (Independent Member) for attendance.

This information can be made available to you in larger print or on audio tape, or translated into your own language. Please telephone 01257 515118 to access this service.

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

01257 515823

کیجئے:

Governance Committee**Thursday, 27 September 2012**

Present: Councillor Paul Leadbetter (Chair) Alison Hansford (Vice Chair) and Julia Berry, Graham Dunn, Anthony Gee, Marie Gray, June Molyneaux and Alan Platt

Also in attendance

External Representatives: Fiona Blatcher (Audit Commission) and Tony Hough (Audit Commission)

Officers: Gary Hall (Chief Executive), Chris Moister (Head of Governance), Susan Guinness (Head of Shared Financial Services), Gordon Whitehead (Principal Financial Accountant), Clare Ware (Shared Assurance Services Internal Audit Manager), Dawn Highton (Principal Auditor), Linsey Roberts (Internal auditor) and Dianne Scambler (Democratic and Member Services Officer)

07.CCS.14 APOLOGIES FOR ABSENCE

An apology for absence was received from Mr Peter Ripley – Independent Person

07.CCS.15 THANK YOU

The Chair advised the Committee that Tony Hough (Audit Commission) was retiring and was attending his last Committee meeting.

The Chair and the Committee thanked Mr Hough for all his work and support to the Council over the years and extended best wishes for the future.

07.CCS.16 DECLARATIONS OF ANY INTERESTS

No declarations of any interests were received.

07.CCS.17 MINUTES

RESOLVED - That subject to the inclusion of Councillor Alison Hansford being in attendance, the Governance Committee meeting held on 28 June 2012 be confirmed as a correct record for signing by the Chair.

07.CCS.18 UPDATE OF THE IMPLEMENTATION OF THE NEW STANDARDS REGIME

The Committee received a report updating them on the progress of implementation of the new standards regime.

The new Code of Conduct had been adopted by the Council It was compliant with legislative requirements and a procedure had also been approved for dealing with complaints to provide certainty of the approach.

Guidance had been issued for Councillors on how to approach disclosure and this had been circulated to Members through intheknow. However, no guidance had as yet been issued in relation to the collation of disclosable pecuniary interests.

It was thought that this delay may in part be due to informal challenges to the legislation, particularly in relation to the pecuniary interests requirements. The legislation as drafted was unclear and given that this element had criminal sanction imposed it was important for the legislation to be clarified and it was understood that the DCLG were presently taking legal advice.

Although the legal position was unclear, it was felt important to provide the opportunity for Members to consider their position under the new rules and it was proposed to invite all Councillors to complete the disclosure voluntarily online to promote transparency of decision making.

Members asked if any of the Parish Councils had adopted the Council's Code of Conduct and were informed by the Monitoring Officer that he had been informed of three that had.

07.CCS.19 INTERNAL AUDIT INTERIM REPORT AS AT 31 JULY 2012

It was reported to the Committee that one of the Principal Auditors, Jan Minchinton had retired from the Council. Jan had contributed greatly to the work of the Governance Committee and previous Audit Committee.

Dawn Highton, Principal Auditor and Linsey Roberts, Internal Auditor were introduced to the Committee and would be attending future meetings to present the reports.

The Committee received a report of the Head of Shared Assurance Services advising Members of the work undertaken in respect of the Internal Audit Plans for Chorley and Shared Services during the first four months of 2012/13 and to comment on its outcomes.

Members were provided with a snapshot of the overall progress made in relation to the 2012/13 Internal Audit Plans, that indicated which audits had been completed and their control rating, those that were in progress and those that had yet to start. Information was also given on the time planned and actually spent on individual audits.

Members noted that all the Internal Audit Plans were on target to be achieved and of the eight reviews that had been completed to date; seven had been given a substantial or adequate assurance rating.

The Chair asked for an explanation as to why the target for the percentage of planned time used had been considerably exceeded but was not reflective in the percentage of plans being completed. It was explained that the target for percentage of plans completed did not take into consideration those reviews that were partially complete. This was one of the reasons why the current key performance indicators were not fit for purpose and Members agreed that it would be more prudent to see what the current status was of each review currently being undertaken.

Only one review on Health and Safety – Lone Working, had been given a limited assurance rating and management actions had been agreed with senior management with progress to be monitored by Internal Audit.

Members queried if the lone working arrangements available for staff included Councillors and although the as the Monitoring Officer explained, there was no legal requirement to do so, the Chief Executive agreed to look into extending the transferable elements of the policy to all Elected Members of the Council.

At the last meeting of the Committee, the purposefulness of the current Key Performance Indicators (KPIs) had been discussed and officers had agreed to

undertake a bench marking exercise to identify the performance indicators that were collected and reported by other authorities.

This work was still progressing and had prompted a more fundamental question as to whether the current performance indicators were fit for purpose. It was clearly important that the measures adopted added real value without being administratively burdensome to collect and calculate. Furthermore, CIPFA and the Institute of Internal Auditors (IIA) were undertaking a joint review of Internal Audit Standards.

It was therefore recommended that a baseline review of Internal Audit KPIs be undertaken and proposals be reported to the Governance Committee at its meeting in January to enable any changes to take effect from 2013/14. The existing measures and target would remain in place for this financial year.

Other information that the Committee received related to:

- Examination success within the team
- An initial approach to procure some additional days from Lancashire Audit Services
- A letter of thanks from the Chief Executive of St Catherine's Hospice on two successful reviews at St Catherine's Hospice

RESOLVED

- 1. That the information in the report be noted.**
- 2. That a review of Internal Audit Key Performance Indicators be undertaken and proposals brought back to the Committee for approval.**
- 3. That Internal Audit explores the possibility of extending the transferable elements of the Lone Working policy to all Elected Members of the Council.**

07.CCS.20 NATIONAL FRAUD INITIATIVE MEMBERS BRIEFING 2012

The Head of Shared Assurance Services submitted a report reminding the Committee of the work undertaken by the Council in respect of the Audit Commission's National Fraud Initiative (NFI).

The NFI exercise had been carried out every two years since 1996. In 2007 the Audit Commission had introduced the Single Persons Discount NFI exercise, where Council Tax data is matched against the Electoral Register. Nationally, a total of £939 million of fraud, overpayments and error had been identified so far. The main categories of fraud continued to relate to pensions, council tax and housing benefit.

For this authority, the Senior Responsible Officer for the NFI is the Chief Executive, assisted by the Internal Audit who co-ordinates the Council's input. The investigations will be undertaken by Internal Audit and the Revenue and Benefits Service, along with additional support from services across the Council. The outcomes of the exercise in 2010/11 included benefit fraud investigations that identified £24.5k of overpayments.

The Audit Commission is keen to ensure that Elected Members should be effectively engaged in the NFI exercise. A Member briefing was delivered in May 2012 that provided an overview of the National Report and a checklist was developed to help members understand and assess the Council approach.

Councillor June Molyneaux left the meeting at 3.12pm

Members discussed what the cost of the exercise would be to the Council and although this was something that was difficult to quantify, it was generally accepted that the deterrent aspect was priceless.

RESOLVED – That the report be noted.

07.CCS.21 STATEMENT OF ACCOUNTS 2011/12

The Chief Executive advised the Committee that Gordon Whitehead (Principal Financial Accountant) was retiring and was attending his last Committee meeting.

The Chief Executive thanked Mr Whitehead for all his efforts over a number of years, adding that he had a specific skill in relation to the technical aspects of accountancy work and was a great person to work with.

The Chair and the Committee also thanked Mr Whitehead for his contribution and support to the Committee and extended best wishes for the future.

The Chief Executive presented a report seeking approval of the Audited Statement of Accounts for 2011/12, following the Audit Committee's initial endorsement of the Accounts at its meeting on 28 June 2012.

No material errors or significant weaknesses of internal control had been identified and a positive report had been received on the quality of the accounts and its supported workings. It was highlighted that it was a positive report with regard to the work done on producing the Statement of Accounts and Value for Money conclusion for the Council.

The Committee also received the Audit Commission's Annual Governance Report which summarised the Commission's substantially complete audit of the Council's 2011/12 Statement of Accounts and the authority's value for money arrangements.

The Audit Commission reported that the Council's accounts had been prepared to a good standard and were supported by good quality papers with officers responding helpfully to their audit queries in a timely way.

The key messages were that the Auditor intended to issue an unqualified opinion on the Statements and an unqualified Value for Money conclusion.

The Council had again achieved significant efficiency savings whilst delivering well against its performance targets. Good progress had also been made in securing the required levels of savings for 2012/13 and identifying actions needed to deliver additional savings in 2013/14.

It was acknowledged that the Council faced considerable uncertainty over the next few years from the impact of economic conditions on the demand for the services that it provides, central driven around welfare reform and NNDR changes.

The key challenge for the Council would be to ensure the continued identification and delivery of significant financial savings whilst also meeting local service needs, although it was considered that its response to the current financial climate, together with its track record, indicated that the authority was well placed to meet this challenge.

Following consideration and approval by this Committee, the Statement would be signed off by the Chair, be re-certified by the Chief Financial Officer and be published by 30 September 2012.

Members asked a number of questions in relation to the Statement of Accounts that resulted in additional information being provided by officers at the meeting that included:

- An increase in the authority's pension liability had resulted in a reduction of the total reserves from the year previous.

- The reduction in the salary for the Head of Human Resources and Organisational Development had been due to maternity arrangements.
- The initial investment rate of 5.81% for Landsbanki would stay the same.
- The valuation of Astley Hall and its assets.

Members were directed to the Capital Outturn report for further information relating to the Capital Spend and Financing Summary.

Councillor Berry requested further information on the amortisation periods of the Council's significant intangible assets.

The Committee also requested additional information in relation to the costs of the Council's major contracts, for example the authorities refuse collection, to be included within the Statement at future meetings.

RESOLVED

- 1. That the Governance Report be noted.**
- 2. That the audited Statement of Accounts for 2011/12 be approved.**
- 3. That the Letter of representation approved for signature by the Chair of Governance Committee and the Chief Executive.**

07.CCS.22 TREASURY STRATEGIES AND PRUDENTIAL INDICATORS 2012/13 - 2014/15

The Statutory Finance Officer submitted a report that reviewed the Treasury and Investment Strategies approved by the Council on 28 February 2012, reported on performance in the first half of the year and compliance with prudential indicators.

The only change proposed to the existing Treasury strategy was that the limit on investments with the two part nationalised banking groups should be increased to £5m from the current £3m. This could generate an additional return of up to £80k at current rates with some risk.

The report included investment activity to 22 August 2012 and advised that the average daily amount invested totalled £17.58m on which it received a return of 1.48%. This exceeded the benchmark. It also reported that because this level of investment exceeded that budgeted for, investment income is predicted to be £0.1m greater than estimated and confirmed compliance with the prudential indicators specified in the Treasury Strategy.

Members noted that presently the maximum permitted investment was either £2m or £3 m, the higher limit only applying to deposits that had immediate access (call accounts and money market funds) or deposits with Government backed institutions (the part nationalised banks and Debt Management Office). This had meant that the Council regularly had to use the DMO, depositing £3.7m and generating less than £4k in interest.

The Code of Practice for Treasury Management specified that Councils should review their treasury strategy and activity half yearly and this report confirmed compliance with that strategy.

RESOLVED – That the Committee noted the report and supported the recommendation to Council to increase the limit on investments from £3m to £5m with part nationalised banking groups.

07.CCS.23 SELF ASSESSMENT

Members were informed that a self-assessment questionnaire would be emailed out shortly to all of Governance Committee to identify any training needs or areas where there was a need to provide further information.

The forms need to be completed by the end of October, Internal Audit would then collate the responses and feedback the results to the Chair.

Chair



Report of	Meeting	Date
Monitoring Officer	Governance Committee	17 January 2013

6 MONTH REVIEW OF THE NEW STANDARDS REGIME

PURPOSE OF REPORT

- To update members in relation to complaints received under the new Code of Conduct regime.

RECOMMENDATION(S)

- That members note the report and that the review be referred to full Council for consideration.

EXECUTIVE SUMMARY OF REPORT

- When the new code of conduct and investigation of complaints procedure was adopted it was agreed to review the number of complaints received and use of the new system after 6 months.
- To date there has been one complaint received against two Chorley Councillors. This was resolved to the complainant’s satisfaction by the Monitoring Officer.
- There has been one complaint received as standards complaint concerning a Parish Council. This complaint was not accepted as it related to the conduct of the Parish Clerk and did not therefore fall within the scope of the Code of Conduct.
- There has been no adverse comment concerning the procedure adopted nor the complexity of the new code of conduct.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

- This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	

BACKGROUND

- In July Chorley Council adopted a Code of Conduct which complied with the requirements of the Localism Act.
- Concern was raised concerning the complexity of the new code and the complaints procedure. It is acknowledged that the intention of the Localism Act was to have a light touch standards regime. In light of the concerns that the adopted code was too prescriptive

and may lead to an increase in the number of complaints, members requested that the adoption of the code and investigation procedure be reviewed after 6 months to address this.

10. Since the adoption of the new Code and Investigation procedure there have been two complaints received. The first complaint was against two Chorley Councillors. This was resolved to the complainant's satisfaction without the need to refer to members. The complaint was in 2 parts. Initially the complainant felt that a newspaper article was misleading. The Monitoring Officer considered this and could not come to the same conclusion and in any event the complaint in itself did not breach the code of conduct and so was not pursued. The second was that correspondence had gone unanswered leading the member of the public to believe the members were not acting openly and honestly. There was a short lead in time between the initial correspondence (11 September) and complaint (1 October), less than 3 weeks. The Monitoring Officer urged the members to respond and this resolved the issue.
11. The second complaint was against a clerk to a parish council. As this complaint does not fall within the scope of the standards regime, the complainant was advised of this and the complaint was not pursued.

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 financial implications in this report.

COMMENTS OF THE MONITORING OFFICER

14. None save those contained in the report.

Chris Moister
Monitoring Officer

There are no background papers to this report.



Report of	Meeting	Date
Monitoring Officer	Governance Committee	17 January 2013

GRANTING OF A DISPENSATION FOR ALL MEMBERS ON THE SETTING OF COUNCIL TAX

PURPOSE OF REPORT

1. To authorise the grant to all members of Chorley Council a dispensation to enable them to participate in setting the rate of Council Tax charged by the Council for 2013/14.

RECOMMENDATION(S)

2. That the Governance Committee grant a dispensation to all Chorley Councillors to allow them to participate and vote at any meeting this municipal year at which the Council Tax rate for the Borough is set.

EXECUTIVE SUMMARY OF REPORT

3. Under the previous standards regime, the legislation granted to members an exemption from the requirement to declare a prejudicial interest and leave the meeting when the council tax rate was set. This was to reflect the fact that all members would be financially affected by the decision.
4. The new standards regime no longer refers to prejudicial interests but instead talks in terms of pecuniary interests. The regime has been localised and there are no longer any blanket exemptions to allow members to participate in a decision when they have a pecuniary interest.
5. The Localism Act does provide for the granting of a dispensation when sufficient numbers of members would be prevented from participating in a decision so as to affect the ability of the Council to properly reach that decision.
6. All members of Chorley Council are financially affected by the setting of the council tax rate.
7. It is appropriate in this circumstance to grant a dispensation to all members to enable them to participate and vote on the setting of Council Tax for the borough.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

8. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	

BACKGROUND

9. In July Chorley Council adopted a Code of Conduct which complied with the requirements of the Localism Act. Part of the requirements related to pecuniary interests. Members are required to provide a disclosure of their pecuniary interests and an online procedure has been implemented to facilitate this. Many members have already completed their disclosure under this system.
10. The effect of a member having a pecuniary interest is to prevent them participating in debates or the voting on an agenda item which impacts on their pecuniary interest. When such an item appears on an agenda, the member is required to declare that they have a pecuniary interest and leave the meeting prior to the item being presented to the meeting.
11. All members will reside within the Chorley Council borough boundary, therefore they will all be affected by the setting of the rate of Council Tax. Having an interest in land in the borough (to include renting) is a discloseable pecuniary interest. As a result all members may have been required to declare this interest and not participate in the meeting. This would mean that this item could not be decided.
12. Under the previous standards regime, this issue did not arise as there were statutory exemptions which included allowing members to participate in the setting of council tax. These blanket exemptions no longer apply, almost certainly because the scheme is supposed to have local implementation with little central interference.
13. The legislation does provide for the granting of dispensations in particular circumstances to include where the number of persons affected by the interest would impede the proper conduct of Council business. Clearly this applies in this instance.
14. The legislation also requires for the dispensation to be granted for a fixed period of time. It is proposed that the dispensation is granted until 1 May 2013, with the consideration of the dispensation being added as a standing item at the first meeting of the Governance Committee each municipal year. Whilst dispensations can be granted for up to 4 years, granting the dispensation annually will ensure that this is not overlooked. It will also overcome any confusion that may arise in relation to members who are elected to the Council after the dispensation has been granted.

IMPLICATIONS OF REPORT

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

Finance		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

16. There are no financial implications in this report.

COMMENTS OF THE MONITORING OFFICER

17. None save those contained in the report.

Chris Moister
Monitoring Officer

There are no background papers to this report.



Grant Thornton

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13th November 2012

Dear Gary

Planned audit fee for 2012/13

We are delighted to have been appointed by the Audit Commission as auditors to the Chorley Borough Council and look forward to providing you with a high quality external audit service for at least the next five years. We look forward to developing our relationship with you over the coming months, ensuring that you receive the quality of external audit you expect and have access to a broad range of specialist skills where you would like our support.

The Audit Commission has set its proposed work programme and scales of fees for 2012/13. In this letter we set out details of the audit fee for the Chorley Borough Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

For 2012/13, the Commission has independently set the scale fee for all bodies. The Chorley Borough Council scale fee for 2012/13 is £59,440, which compares to the audit fee of £99,066 for 2011/12, a reduction of 40%.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission’s website at: www.audit-commission.gov.uk/scaleoffees1213.

The audit planning process for 2012/13, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

Our fee is based on the risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2012/13. It covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of

Chartered Accountants

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- resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for money conclusion

Under the Audit Commission Act, we must be satisfied that the Chorley Borough Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Chorley Borough Council financial resilience as part of our work on the VFM conclusion and a separate report of our findings will be provided.

Our planning to date has not identified any additional work which we are required to undertake to support our VFM conclusion. We will continue to assess the Council/Authority's arrangements and discuss any additional work required during the year.

Certification of grant claims and returns

The Audit Commission has replaced the previous schedule of hourly rates for certification work with a composite indicative fee. This composite fee, which is set by the Audit Commission, is based on actual 2010/11 fees adjusted to reflect a reduction in the number of schemes which require auditor certification and incorporating a 40% fee reduction. The composite indicative fee grant certification for the Chorley Borough Council is £12,350.

Billing schedule

Our fees are billed quarterly in advance. Given the timing of our appointment we will raise a bill for two quarters in December 2012 with normal quarterly billing thereafter. Our fees will be billed as follows:

Main Audit fee	£
December 2012	29,720
January 2013	14,860
March 2013	14,860
Grant Certification	
June 2013	12,350
Total	71,790

Outline audit timetable

We will undertake our audit planning and interim audit procedures in early 2013. Upon completion of this phase of our work we will issue our detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VFM conclusion and work on the whole of government accounts return will be completed by September 2013.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	Jan to April 2013	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VFM.
Final accounts audit	June to Sept 2013	Report to those charged with governance	This report will set out the findings of our accounts audit and VFM work for the consideration of those charged with governance.
VFM conclusion	Jan to Sept 2013	Report to those charged with governance	As above
Financial resilience	Jan to Sept 2013	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2013	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2013	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	September to December 2013	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2012/13 are :

	Name	Phone Number	E-mail
Engagement Lead	Fiona Blatcher	0161 234 6393	fiona.c.blatcher@uk.gt.com
Engagement Manager	Gareth Winstanley	0161 234 6343	gareth.j.winstanley@uk.gt.com
Audit Executive	Peter Buckley	0161 234 6391	peter.g.buckley@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in

the first instance. Alternatively you may wish to contact Sarah Howard, our Head of Public Sector Assurance.

Yours sincerely

A handwritten signature in cursive script that reads "Fiona Blatcher". The signature is written in black ink and is positioned above the printed name.

Fiona Blatcher
For Grant Thornton UK LLP



Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	17 th January 2013

INTERNAL AUDIT INTERIM REPORT AS AT 30TH NOVEMBER 2012

PURPOSE OF REPORT

1. To advise members of the work undertaken in respect of the Internal Audit Plans for Chorley and Shared Services for the period April 2012 to November 2012 and to comment on the outcomes;
2. To give an appraisal of the Internal Audit Service’s performance to date;
3. To inform members of any general developments involving or impacting upon the work and / or performance of the Internal Audit Service.

RECOMMENDATION(S)

4. That the report be noted.
5. That the Committee approves the recommendation resulting from the review of the Internal Audit Key Performance Indicators, as proposed within the body of this report.

EXECUTIVE SUMMARY OF REPORT

6. The report demonstrates that at this stage the Audit Plans are on target to be achieved and the majority of the performance indicators have either been achieved or exceeded.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

7. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all.		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	x

BACKGROUND

- 8. This is the second progress report for 2012/13 and covers the period between 1st April 2012 and 30th November 2012.

INTERNAL AUDIT PLANS

- 9. **Appendix 1** provides a “snapshot” of the overall progress made in relation to the 2012/13 Internal Audit Plans, indicating which audits have been completed and their control rating, those that are in progress and those that have yet to start. Appendix 1 also shows the time planned and actually spent on individual audits.
- 10. Members will note that at this stage, the Internal Audit Plans are on target to be achieved. Of the 8 reviews completed to date, 6 have been given substantial or adequate assurance ratings. However, 2 reviews, Disaster Recovery and Penetration Testing have been given limited assurance rating. As directed by the Chief Executive, we will ensure that all agreed management actions relating to these reviews are implemented in full prior to the end of this financial year.
- 11. The table below provides a summary of the audit work completed during the period 1st August to 30th November 2012, together with any control issues identified.

Audit Area	Control Rating	Comments
System Interrogations	Substantial	<p>Using computer interrogation software, a data matching exercise was undertaken to establish if any payments had been made to either employees or members through the creditors system which should have been processed through payroll.</p> <p>Although some payments had been made through creditors, they had justifiable explanations.</p>
National Fraud Initiative (NFI)	Not Applicable	All required data sets were successfully uploaded in October. The results of the matches are due to be issued on the 29 th January 2013 for further analysis and investigation.
Section 106 Agreements	Adequate	<p>The purpose of this audit was to review the adequacy and effectiveness of the systems and processes operated by users for the control of Section 106 agreements.</p> <p>Several recommendations were agreed to further strengthen and improve the current processes namely; the development and distribution of comprehensive guidance notes; the updating and maintenance of the Section 106 register and the improvement of communication between Services including the re-introduction of the Section 106 monitoring group.</p>
Project Management	Adequate	<p>The purpose of this review was to ensure that the Project Management Toolkit is being utilized for projects supporting the Corporate Strategy.</p> <p>Several areas were identified where minor changes could be made to strengthen and improve the current arrangements and appropriate recommendations were agreed for these.</p>

Audit Area	Control Rating	Comments
Win Time Recording System	Adequate	<p>The purpose of this review was to evaluate the adequacy and effectiveness of the corporate arrangements for the control and operation of the Council's Flexi Time system (Wintime).</p> <p>Several recommendations were agreed to improve the current arrangements including the monitoring of system access for Wintime users, monitoring of both excess credit and debit hours and an annual check on the volume and type of manual corrections on the Wintime system.</p>
Astley Hall	Adequate	<p>The review was undertaken to provide assurance that there are robust procedures in place relating to income and records management and that they are operating effectively.</p> <p>Management actions were agreed to strengthen the terms and conditions of room hire and to improve written procedures for cancellations to ensure that they are handled in a sensitive and timely manner.</p>
Introduction of Mobile working	Adequate	<p>This review was undertaken to establish that the project objectives had been achieved, and that suitable project records had been maintained.</p> <p>Management actions were agreed to improve project monitoring arrangements and control at a corporate level and also to develop the mobile technology further and improve service area management processes.</p>
Disaster Recovery	Limited	<p>This review was undertaken to provide assurance that effective and tested Disaster Recovery plans are in place.</p> <p>Management actions were agreed to review, update and align the Disaster Recovery strategy with the corporate business continuity plans, and to incorporate both telephony and printing arrangements into the Disaster Recovery plans.</p>
Penetration Testing	Limited	<p>The objective of this review was to consider the effectiveness of the Council's processes to mitigate vulnerabilities identified during the penetration testing.</p> <p>It was agreed to improve the action plan in order to provide assurance to management that vulnerabilities are being effectively managed.</p>

INTERNAL AUDIT PERFORMANCE

12. **Appendix 2** provides information on Internal Audit performance as at the 30th November 2012. We are pleased to report that the majority of indicators have either been achieved or exceeded.

GENERAL DEVELOPMENTS

Review of Internal Audit Performance Indicators

13. At the September meetings of the Shared Services Joint Committee and South Ribble / Chorley Governance Committees we advised members that a baseline review of Internal Audit performance indicators would be undertaken. This was in response to queries raised by the Joint Committee regarding the value of some indicators and also whether it is appropriate to set a 100% target for certain indicators.
14. We have now completed a survey to establish the indicators and targets adopted by 12 Internal Audit Services throughout Lancashire. Although the results demonstrated that a considerable variety of indicators and measures are used, the ones most commonly adopted are as follows:

	Performance Indicator	SRBC /CBC	Target	Others	Ave Target
1	% Planned Time Used	Y	90%	3	86%
2	% Audit Plan Completed	Y	100%	5	90%
3	% Management Actions Agreed	Y	98%	4	96%
6	% Customer Satisfaction Rating (per assignment)	Y	90%	5	89%

This suggests that we are currently measuring the right things and setting targets which are comparable with or slightly higher than our peers.

However we also currently collect the following data, which others broadly do not:

	Performance Indicator	SRBC /CBC	Target	Others	Ave Target
4	% Agreed Management Actions Implemented	Y	100%	2	82%
5	% Agreed Management Actions Implemented on Time	Y	100%	0	N/A

15. These performance indicators are not widely adopted by other Councils as they do not actually measure Internal Audit performance as the responsibility for implementing agreed actions lies with service managers.

16. More over, service managers are directly accountable to the Governance Committees for any unreasonable delays in implementation and so the audit process itself ensures that this issue is addressed.
17. It is therefore recommended that the performance measures 1/2/3/6 are retained and 4/5 are removed from 2013/14 onwards as they add little value and are also administratively burdensome to collect and calculate.

Staffing

18. Audit Manager Clare Ware has recently opted to take early voluntary retirement after a long career in Local Government including 13 years' service to both South Ribble Borough Council and Shared Assurance Services. Clare departs for pastures new with everyone's very best wishes for the future.
19. Clare's departure is one of several developments impacting on Shared Assurance Services which have prompted a review of overall staffing requirements and this is now in progress.
20. The review outcome including proposals for change will first be reported to the Shared Services Joint Committee on 24th January 2013 to enable a new structure to be in place for the 2013/14 financial year.
21. From a Governance Committee perspective the key message to members is that it will be "business as usual". Succession planning has been a central feature of the development of the shared service since its inception and there is now a strong team of experienced and qualified staff in place to take the service forward.
22. There will also be no impact on the Internal Audit coverage provided to the 2 host Councils and this will be re-affirmed when the new Internal Audit Plans are presented to both Chorley and South Ribble Governance Committees in March/April.

External Contract – St Catherine's Hospice

23. Following the positive feedback received following our first review, the Hospice has requested further Internal Audit work in 2013 and 2014. We have agreed to provide a maximum of 30 days for each year.

IMPLICATIONS OF REPORT

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

GARRY BARCLAY
HEAD OF SHARED ASSURANCE SERVICES

Background papers include the 2012/2013 Internal Audit Plans for Chorley Council and Shared Services.

Report Authors	Ext	Date	Doc ID
Garry Barclay / Dawn Highton	01772 625272 / 5468	7 th Jan 2013	Audit Interim report

APPENDIX 1

INTERNAL AUDIT PLANS 2012/13

AUDIT AREA	PLAN (Days)	ACT (Days)	BAL (Days)	CONTROL RATING	COMMENTS
SHARED SERVICES					
FINANCE					
Main Accounting System	15	0	15		To commence Q4
Creditors	15	0	15		To commence Q4
Payroll	20	0	20		To commence Q4
Treasury Management	15	2	13		In progress
Cash & Bank / Cheque Control	20	0	20		To commence Q4
REVENUES & BENEFITS					
Council Tax	15	8.3	6.7		In progress
National Non Domestic Rates	15	8.4	6.6		In progress
Housing & Council Tax Benefits	15	8.3	6.7		In progress
Debtors	20	7.1	12.9		In progress
GENERAL					
Post Audit Reviews	10	4.2	5.8	N/A	On-going
Unplanned Reviews / Contingency	10	0	10	N/A	No requests received
Residual Work from 2011/12	15	32.4	-17.4		
Main Accounting				Adequate	Complete
Creditors				Substantial	Complete
Payroll				Substantial	Complete
Treasury Management				Substantial	Complete
Cash & Bank / Cheque Control				Substantial	Complete
Travel & Subsistence				Substantial	Complete
TOTAL	185	70.7	114.3		
CHORLEY					
CORPORATE AREAS					
Annual Governance Statement	15	3.7	11.3	N/A	Complete
Anti-Fraud & Corruption / Awareness	10	7.7	2.3	N/A	On-going
National Fraud Initiative (NFI)	30	20.9	9.1	N/A	On-going
System Interrogations	10	4.4	5.6	Substantial	Complete
CSO's / Financial Regulations	5	0	5		To commence Q4
PARTNERSHIPS & PLANNING					
Impact of Localism Act	10	0	10		To commence Q4
Choice Based Lettings	20	0	20		To commence Q4
Section 106 funding	10	14.3	-4.3	Adequate	Complete
Community Infrastructure Levy	10	2	8		On-going
New Income Streams	10	7.2	2.8		In progress
TRANSFORMATION					
Corporate Complaints	10	10.5	-0.5	Substantial	Complete
Performance Man / Data Quality	5	1	4		To commence Q4
Project Management Framework	5	5.7	-0.7	Adequate	Complete
Win Time Recording System	15	15.6	-0.6	Adequate	Complete
Health and Safety – Lone Working	5	11.9	-6.9	Limited	Complete
Active Directory	15	3.7	11.3		In progress
ICT Service Management	15	0	15		To commence Q4
PEOPLE & PLACES					
Introduction of Mobile Working	10	17.3	-7.3	Adequate	Complete
Housing Standards	5	0	5		To commence Q4
Astley Hall	15	17.4	-2.4	Adequate	Complete

AUDIT AREA	PLAN (Days)	ACT (Days)	BAL (Days)	CONTROL RATING	COMMENTS
Modernisation of Streetscene	5	0	5		To commence Q4
Bereavement Services	15	0	15		To commence Q4
GENERAL AREAS					
Irregularities (Contingency)	15	0	15		No reviews undertaken to date
Post Audit Reviews	10	5.6	4.4		On-going
Residual Work from 2011/12	10	25	-15		
Transport				Substantial	Complete
Disaster Recovery				Limited	Complete
Penetration Testing				Limited	Complete
Unplanned Reviews (Contingency)	15	1.2	13.8		On-going
Governance Committee	25	16.7	8.3		On-going
TOTAL	325	191.8	133.2		

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.

INTERNAL AUDIT PERFORMANCE INDICATORS AS AT 30th November 2012

	Indicator	Audit Plan	Target 2012/13	Target to Date	Actual to Date	Comments
1	% of planned time used	SS	90%	30%	38%	Target exceeded
		CBC	90%	60%	59%	Slightly below target
2	% audit plan completed	SS	100%	22%	22%	Target achieved
		CBC	100%	65%	60%	Slightly below target as one review at draft report stage
3	% management actions agreed	SS	98%	98%	98%	Target achieved
		CBC	98%	98%	98%	Target achieved
4	% of agreed management actions implemented.	SS	100%	100%	85%	29 out of 34 agreed management actions implemented 5 revised dates agreed.
		CBC	100%	100%	92%	46 out of 50 agreed management actions implemented 4 revised dates agreed.
5	Of the agreed management actions implemented – % implemented on time	SS	100%	100%	86%	25 out of 29 management actions implemented on time
		CBC	100%	100%	83%	38 out of 46 management actions implemented on time
6	% overall customer satisfaction rating (assignment level)	SS	90%	0%	0%	No reports issued in 2012/13
		CBC	90%	90%	87%	Slightly below target

SS = Shared Services

CBC = Chorley



Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	17 January 2013

ANNUAL GOVERNANCE STATEMENT 2012 – PROGRESS REPORT

PURPOSE OF REPORT

- 1 To provide members of the Governance Committee with an update on the progress made to implement several enhancements to the Council’s system of governance as identified in the 2012 Annual Governance Statement (AGS).

RECOMMENDATION

- 2 That members note the report.

EXECUTIVE SUMMARY OF REPORT

- 3 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.
- 4 The AGS for 2012 was approved by the Governance Committee at the June 2012 meeting and incorporated a number of proposed enhancements to the Council’s system of governance. This report provides members with an update on the progress made to implement those proposed enhancements.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

- 5 The report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	x

BACKGROUND

- 6 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.
- 7 The Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) have issued a Framework and supporting guidance

entitled "Delivering Good Governance in Local Government" under which councils need to prepare their AGS. The key element of this is a corporate self assessment of the council's governance arrangements.

- 8 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.
- 9 The guidance also states the need for an independent review body in the process such as the Governance Committee, which should be charged with critically reviewing the AGS and its supporting documentation.
- 10 At the June meeting of the Governance Committee, members were asked to review the draft AGS for 2012 which had been produced in accordance with CIPFA / SOLACE guidelines. The AGS was subsequently signed by the Leader and Chief Executive before being submitted for external audit alongside the 2011/12 financial statements. The Audit Commission have since issued an unqualified opinion on those statements.
- 11 The corporate self assessment identified several opportunities to enhance the Council's governance arrangements and these were reported in Section 5 of the AGS. They have since been incorporated into a detailed Action Plan, the progress against which is shown at the Appendix to this report.
- 12 The final out-turn position on the attached Action Plan will be incorporated in the 2013 AGS Report which will be presented to the Governance Committee in June 2013.

IMPLICATIONS OF REPORT

- 13 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 SERVICES

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	7/1/13	2012 AGS Progress.doc

APPENDIX – 2012 AGS ACTION PLAN PROGRESS UPDATE

Agreed Improvement	Lead Officer	Start Date	Finish Date	SMART Actions & Milestones	Status (RAG)	Comments
Review and update the Council's approach to consulting with and providing feedback to the local community and other stakeholders on service design & delivery	Chris Sinnott	Jan 2013	Jan 2013	Review and refresh the council's consultation and engagement strategies	Green	This is due to be undertaken in January 2013.
Review and update the Council's Communications Strategies and Policies	Chris Sinnott	April 2012	Sept 2012	Develop internal communications action plan	Complete	The internal communications plan has been completed and agreed.
	Chris Sinnott	Oct 2012	Feb 2013 (Revised)	Develop and agree Communications and Marketing Strategy	Green	Following a restructure and change in the focus of the communications team, the communications and marketing strategy will be replaced with campaigns and engagement strategy which will be completed by February 2013.
Review & update the Framework for Partnership Working	Chris Sinnott	May 2012	Sept 2012	Framework for Partnership Working updated	Complete	This work has been completed and was approved by Executive Cabinet in October.
Undertake a review of compliance with the revised CIPFA Standards on Audit Committees once they are published	Garry Barclay	TBD	TBD	To be determined	Green	Standards still under revision

Agreed Improvement	Lead Officer	Start Date	Finish Date	SMART Actions & Milestones	Status (RAG)	Comments
<p>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</p>	<p>Chris Moister</p>	<p>June 2012</p>	<p>July 2012</p>	<p>Draft code and procedure for provisional adoption Exec Cabinet 21 June</p> <p>Code and Procedure for ratification of adoption 17 July</p>	<p>Complete</p>	<p>Member training sessions have now been provided in relation to the Local Code</p> <p>All members completed a disclosure under the old regime within 28 days of the election, either a new one or a reaffirmation of the existing one. An on line declaration system under the new standards regime is now in place which we are encouraging members to use (with success) which will put the data straight on the web (as required).</p>
<p>Review and re-issue the Protocol on Member/Officer Relations</p>	<p>Chris Moister</p>	<p>June 2012</p>	<p>Sept 2012</p>	<p>Protocol reviewed</p> <p>Leaders briefing</p> <p>To Council 25th September for adoption and incorporation into Constitution</p>	<p>Complete</p>	
<p>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</p>	<p>Chris Moister & Camilla Oakes Schofield</p>	<p>May 2012</p>	<p>March 2013</p>	<p>Member PDP reviews are undertaken every 2 years and all were done in 11/12. A training needs schedule has been reported to Member Support Working Group to help form the MD programme for the year.</p> <p>Since the change of administration and a new Executive/new Chairs of Committees more skills based sessions are being arranged based on requests from the Executive Leader to ensure senior members have the necessary skill set.</p>	<p>Green</p>	<p>The MD programme is always a mix of skills and initiative based training which is based on identified training needs from PDPs and new developments or legislation which Members must be kept informed about.</p> <p>Member learning sessions continue to be held on a monthly basis with a significant number of additional sessions and external training opportunities. The main method of publicity is through</p>

Agreed Improvement	Lead Officer	Start Date	Finish Date	SMART Actions & Milestones	Status (RAG)	Comments
				<p>Details of these are available. Delivery will be on-going through 2012/13.</p> <p>Newly elected councillors will have a PDP interview in Oct 2012 (6 months after election to allow them a settling in period to assess their own needs/interests). They have all attended induction training following their election with the option to select a range of follow up training in key service areas.</p>		<p>intheknow.</p> <p>Member Support Working Group oversees MD matters meeting on a quarterly basis. The membership always includes one newly elected member and they have reviewed induction processes; receive attendance information; give views on member development proposals and given direction to other aspects of MD.</p>
Set & monitor consistent standards for productivity throughout the organisation following a baseline assessment of current productivity levels	Chris Sinnott	Aug 2012 Nov 2012 Jan 2013	Sept 2012 Dec 2012 Feb 2013	Undertake first reporting Develop reporting mechanisms Undertake review	Green	
Review and update data quality procedures in relation to the checking and validation of input	Chris Sinnott	April 2012	May 2012	Revise and agree new data quality policy	Complete	
As a key element of the Council's Information Management Strategy, review the current procedures for document management, storage and retention	Asim Khan	April 2012	March 2013	<p>The upgrading and further enterprise rollout of the Northgate EDMS software has greatly improved the flow and accessibility of customer related information and documents within the Council. The future development of the SharePoint Information Management system will further enhance the availability of non-customer related documents.</p> <p>A Council retention policy will be</p>	Green	

Agreed Improvement	Lead Officer	Start Date	Finish Date	SMART Actions & Milestones	Status (RAG)	Comments
				drafted early in the new year.		
Utilise the asset management module in Customer Services to incorporate the Council's ICT hardware inventory	Asim Khan	April 2012	March 2013	The asset management software in MSCOM will be considered for tracking and managing the Councils ICT hardware inventory following rollout of the user helpdesk.	Green	