

08 January 2014

Governance Committee

You are invited to attend a meeting of the Governance Committee to be held in Council Chamber, Town Hall, Chorley on Thursday, 16th January 2014 commencing at 2.30 pm.

AGENDA

1. **Apologies for absence**

2. **Minutes (Pages 3 - 8)**

To confirm the minutes of the Governance Committee meeting held on 12 September 2013 (enclosed)

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. **RIPA Application Update**

The Monitoring Officer will present a verbal report at the meeting.

5. **Audit Commission Report: Protecting the Public Purse 2013 (Pages 9 - 14)**

Report of the Head of Governance (enclosed)

6. **Annual Governance Report 2013 - Progress Report (Pages 15 - 20)**

Report of the Head of Governance (enclosed)

7. **Annual Audit Letter 2012/13 (Pages 21 - 36)**

Report of the External Auditor (enclosed).

8. **Certification Report 2012/13 (Pages 37 - 46)**
Report of the External Auditor (enclosed)
9. **Governance Committee Update 2013/14 (Pages 47 - 60)**
Report of the External Auditor (enclosed)
10. **Internal Audit Interim Report as at 29 November 2013 (Pages 61 - 66)**
Report of the Head of Shared Assurance Services (enclosed)
11. **Any other item(s) that the Chair decides is/are urgent**

Yours sincerely



Gary Hall
Chief Executive

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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), Andy Armstrong (Shared Financial Services Risk Manager) and Louise Wingfield (Democratic and Member Services Officer) for attendance.
3. Agenda and reports to Peter Ripley (Independent Member) for attendance.

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Governance Committee**Thursday, 12 September 2013**

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

Also in attendance

External representatives: Peter Ripley (Independent Person) and Gareth Winstanley (Grant Thornton UK LLP)

Officer: Gary Hall (Chief Executive), Chris Moister (Head of Governance), Michael Jackson (Principal Financial Accountant), Garry Barclay (Head of Shared Assurance Services), Chris Sinnott (Head of Policy and Communications), Dawn Highton (Principal Auditor) and Dianne Scambler (Democratic and Member Services Officer)

13.G.36 APOLOGIES FOR ABSENCE

There were no apologies for absence.

13.G.37 MINUTES

RESOLVED – That the minutes of the Governance Committee meeting held on 27 June 2013 be confirmed as a correct for signing by the Chair.

13.G.38 DECLARATIONS OF ANY INTERESTS

No declarations of any interest were received.

13.G.39 STRATEGIC RISK REGISTER UPDATE

The Committee received a report giving an update of the Strategic Risk Register which included 13 strategic risks to the Council, including actions in progress as well as new actions planned to further mitigate identified risks.

The Strategic Risk Register is the vehicle by which the Council aims to identify and address any potential risks to the organisation and the delivery of its functions which need to be managed strategically.

All the risks had been re-assessed and the register indicated whether there had been a change since its last review in March with reasoning for the scoring. Most of the risk categories remained at the same level given the current funding situation and impact on resource with six areas identified as 'high risk'.

The highest risk remained as budget cuts in key public and third sector partners given the negative impact this could potentially have on local service delivery. A number of other risks also scoring highly reflected the increasing pressure to maintain performance in a challenging economic environment. Retaining good staff morale is key to the authority to avoid a negative impact on performance.

One new risk added to the register was the failure to react to changing service demand. This risk referred to the ability of the organisation to continue to meet changing customer demand for services in light of reducing resources. In order to mitigate this risk, the Council must monitor, manage and reduce demand by working to change customer expectations and driving down the cost of delivery to make services more sustainable. This linked to reductions in income and changes around

welfare reform. There was an increased likelihood that people may need access a wide range of services not needed before. The Council would look to develop a range of early intervention programmes and adapt to different ways of operating to help mitigate this risk.

The risk relating to the implementation of new technology had again been downgraded due to significant progress of the ICT program with several projects now having been delivered. Members asked if there was evidence of what benefits or efficiencies these projects had delivered against the investment made and were informed that this was due to be reported to Executive Cabinet.

RESOLVED – That the report be noted.

13.G.40 ANNUAL GOVERNANCE STATEMENT 2012/13

At the last meeting of the Committee, the Head of Governance had presented a report reminding the Committee of the regulatory framework requiring the Council to continuously review its system of governance and to formally publish an annual governance statement alongside its annual financial statements.

Following advice by our external auditors, the Statement had been amended slightly and Members were informed of those changes that included an explanation of the combined role and responsibilities of the Chief Executive being expanded upon.

RESOLVED – That the report be noted.

13.G.41 EXTERNAL AUDIT FINDINGS REPORT FOR YEAR ENDED 31 MARCH 2013

The Committee received a report of our External Auditor on their audit findings for the authority for the year ending 31 March 2013 that highlighted the key matters arising for the Council's financial statements.

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

The Council had made one material amendment to the financial statements. During 2012/13 the Council reviewed its provision of £1.75m to meet pension fund liabilities relating to staff transferred to Chorley Community Housing Ltd arising from the housing stock transfer. There was however, no impact on the Council's overall reported financial position.

Two unadjusted misstatements were also identified and would be corrected going forwards, these were presentational changes to ensure greater clarity and understanding.

No significant weaknesses of internal control had been identified and a positive report had been received on the quality of the accounts and supported workings. The Council had a good track record for delivering efficiencies and sound financial management arrangements were in place.

RESOLVED – That the report be noted.

13.G.42 STATEMENT OF ACCOUNTS 2012-13

The Chief Executive presented a report that sought approval of the audited Statement of Accounts for its publication by 30 September 2013 under the requirement of the

Accounts and Audit Regulations 2011. Once approved the signed Statement would be published on the Council's website.

Figures in 2011/12 and 2012/13 had been restated so that £1.75m was shown as being transferred into an Earmarked Reserve rather than a Long Term Provision as at 31 March 2012, instead of 31 March 2013.

Our External Auditor intended to issue an unqualified opinion for both the Statement of Accounts and the Value for Money Conclusion and to indicate that there are no significant weaknesses in internal controls to highlight. The adjusted misstatement in respect of £1.75m Earmarked Reserve would have no impact on the overall reported financial position. Two unadjusted misstatements would be corrected in 2013/14, because they had no material impact in 2012/13.

Members asked for a detailed breakdown to be provided of the 'other' category that had been listed under Capital Expenditure in 2012/13 as this was actually the largest amount. This was something that had been agreed to be done last year. Further details were also sought on the amount of prudential borrowing that had been undertaken in addition to the total amount of grants and contributions received.

RESOLVED

- 1. That the report be noted.**
- 2. That the audited Statement of Accounts for 2012/13 be approved.**
- 3. That the Letter of Representation be approved for signature by the Chair of Governance Committee and Chief Executive.**

13.G.43 REVIEW OF THE COUNCIL'S ARRANGEMENTS FOR SECURING FINANCIAL RESILIENCE

A report of the Council's External Auditors, Grant Thornton was received by the Committee. As part of the work they undertaken in supporting the Council's Value for Money conclusion, part of the statutory audit included a review to determine if the Council had proper arrangements in place for securing financial resilience.

Consideration had been given as to whether the Council had robust financial systems and processes in place to manage its financial risks and opportunities, to secure a stable financial position that enabled it to continue to operate for the foreseeable future.

The financial resilience of the Council had been reviewed by looking at the key indicators of financial performance and the authorities approach to financial planning, financial governance and financial control.

Further detail had been provided on all the risk areas identified and given a RAG rating. The overall assessment for the four areas was rated as Green, with an overall conclusion, that whilst the Council faced challenges, particularly from 2014/15 onwards with significant reductions in future government funding, its current arrangements for securing financial resilience were good.

The Council had continued to reduce its sickness absence levels with an average of 5.44 days per FTE lost to sickness in 2011/12. This had been lower than the average across both the public and private sector. Although the latest information for 2012/13 had shown a slight increase to 7.27 per FTE, the Council understood the reasons why and had already put in place a series of actions to address the increase.

The Councils level of reserves was notably lower in comparison to its neighbouring authorities and Members discussed the merits of retaining such low balances going forwards. It would be important for the Council to keep this under close review in the

context of changing risks and uncertainties around the financial position in the medium to long term.

Members also discussed the risk in relation to borrowing; the Council had to weigh up the cost of borrowing against the interest gained on that borrowed amount. A judgement had to be taken as to when was the best time to borrow in order to minimise that risk.

Assurance was sought as to the decision making processes of the shared arrangement between Chorley and South Ribble. It was explained that although both Councils undertook staff sharing processes, this did not extend to decision making and that each Council made its own decisions according to their individual circumstances.

RESOLVED – That the report be noted.

13.G.44 TREASURY STRATEGIES AND PRUDENTIAL INDICATORS 2013/14 TO 2015/16

The Committee received a report of the Chief Executive that reported on the performance and compliance with Prudential Indicators for the financial year 2013/14 to the end of August.

Expenditure due to be financed by Prudential Borrowing totalling £0.192m had been rephrased from 2012/13 to 2013/14. Taking both years together, estimated financing by Prudential Borrowing had not increased, and may reduce if further expenditure is rephrased to later years. Interest rates had increased over the past six months and were expected to continue. Any increase in borrowing would need to be reflected in the revenue budget.

The Capital Financing Requirement (CFR) had been recalculated to reflect rephrasing of borrowing from 2012/13 and the revised Minimum Revenue Provision (MRP) for 2013/14. Net borrowing was expected to be much lower than the CFR in 2013/14.

The Operational Boundary for External Debt needed to be increased to include long-term liabilities and to match borrowing at the start of the year, which was higher than was estimated at year end.

With regards to the Councils Icelandic Investment, the out-turn report for 2012/13 had tracked the original investment of £2.0m to the amount owing as £0.83 m as at 31 March 2013. The Council had been approached, via Bevan Brittan, who represented 89 local authority creditors and 7 other priority creditors, regarding the possible sale of Landsbanki claims. At present, the possible sale remains as 'in principle' proposal. Should a formal auction process be progressed a decision would have to be made as to whether the Council wished to sell its Landsbanki claim.

Members were updated at the meeting that the Council had just received an additional repayment instalment although the actual amount had not yet been confirmed. Although this was encouraging, given the time that this had taken, the Council still considered its best option to be working with the other Councils to sell off the debt for the best available price.

RESOLVED

- 1. That the report be noted.**
- 2. That the Council be recommended to increase the Operational Boundary for External Debt for 2013/14 to £7.285m.**

13.G.45 INTERNAL AUDIT INTERIM REPORT AS AT 26TH JULY 2013

The Head of Shared Assurance Services submitted a report advising Members of the work that had been undertaken in respect of the Internal Audit Plans for Chorley Council and Shared Financial Services for the period 1 April to 26 July 2013.

The report demonstrated that the Audit Plans were on target to be achieved and that the majority of the performance indicators had either been achieved or had been exceeded.

A table provided a summary of the audit work completed during the period with any control issues identified. Only one had received a control rating of Limited. A review of mobile phones had identified a number of control weaknesses in the administration and management of mobile phones. Management actions agreed relating to the mobile phone policy, improvements to the allocations criteria and a review of management information including usage.

Members asked if the report on the mobile phone review could be taken to a meeting of the Member support Working Group, as they were currently considering Members option in relation to mobile phone allocation.

The review of CCTV had taken longer than had been originally intended due to the incomplete nature of the existing usage and performance information relating to how the use of CCTV had a tangible and demonstrable impact on crime and disorder in the Borough. An interim report covering the work up to date had been produced and the deadline extended. Members were assured that this piece of work did not affect the programmed implementation of any new CCTV schemes or investment into new equipment.

A member of the Internal Audit team had been successful in the recent Institute Auditor examinations and the Committee offered their congratulations on this achievement.

RESOLVED

- 1. That the report be noted.**
- 2. That the report on the Mobile Phone Review be taken to the Member Support Working Group for information.**

13.G.46 EXCLUSION OF PRESS AND PUBLIC

RESOLVED - That the press and public be excluded from the meeting for the following items of business on the ground that it involved the likely disclosure of exempt information as defined in Paragraph 7c of Part 1 of Schedule 12A to the Local Government Act 1972.

13.G.47 STANDARDS CASES REVIEW

The Monitoring Officer submitted a confidential report that informed Members of the nature and treatment of standards complaints. The report also sought confirmation as to the type of complaints that were being received and the approach taken by the Monitoring Officer in resolving them.

The Council had adopted a new code of conduct and standards regime in July last year. In accordance with the view of Members and legislation it had been set up on a light touch basis. Concerns had been expressed in Council that this may lead to a significant rise in allegations against Members for a breach of the code. This report

confirmed the actual number of complaints that had been received and their treatment.

RESOLVED

- 1. That the report be noted.**
- 2. That training on social media be delivered to all Members of the Council.**

Chair



Report of	Meeting	Date
Head of Governance	Governance Council	16 January 2014

AUDIT COMMISSION REPORT: PROTECTING THE PUBLIC PURSE 2013

PURPOSE OF REPORT

1. To inform members of a recent report from the Audit Commission addressing issues of fraud against local authorities and making recommendations as to improvements that Councils can make and to confirm to members the actions Chorley Council take to address fraud.

RECOMMENDATION(S)

2. That Members note the report.

EXECUTIVE SUMMARY OF REPORT

3. In November of this year, the Audit Commission issued their report Protecting the Public Purse 2013 – Fighting fraud against local government.
4. The Report highlights that fraud costs the UK public sector more than £20 billion per annum with a cost of local government of £2 billion. Clearly, in times of austerity preventing fraud is even more important in order to protect the public purse.
5. The key findings of the report are:-
 - a. Local government bodies detected fewer frauds in 12/13, excluding housing tenancy frauds, compared with the previous year;
 - b. London Boroughs detected more fraud than in 2011/12;
 - c. The pace of local authority activity to tackle housing fraud is accelerating
 - d. There is significant variability in detected non-benefit fraud levels between similar councils;
 - e. Some councils' capacity to investigate fraud is reducing. All Councils need to consider how they prioritise resources;
 - f. Some councils are starting to focus more attention on those fraud risks that are growing;
 - g. Councils face reduced funding and new national counter-fraud arrangements. They need to assess fraud risks effectively to target resources where they will produce most benefit;
 - h. Councillors have a crucial role in supporting the right approach to deter and detect frauds. They can draw on a wide range of assistance to help them to do so.
6. The Report also makes a number of recommendations:-
 - a. All local government bodies should review their counter-fraud arrangements and actively pursue potential frauds identified through their participation in the National Fraud Initiative.
 - b. Councils in particular should
 - i. Actively promote a vigorous counter fraud culture
 - ii. Develop a clear strategy to tackle fraud
 - iii. Work in partnership with other councils to reduce fraud

- iv. Prepare for the introduction of the Single Fraud Investigation Service
 - v. Allocate sufficient resources to tackle fraud
 - vi. Improve their use of data to measure their performance in tackling fraud.
7. This report advises members of the actions the Council are taking to address fraud.

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	X
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	

BACKGROUND

9. The role of the Audit Commission is to protect the public purse. They deliver this protection by appointing auditors to local public bodies. Using the data provided by these audits they are able to produce authoritative evidence based analysis. In November, they issued Protecting the Public Purse 2013: Fighting fraud against local government.
10. The Report seeks to address the issue of fraud against local government, both in terms of embedding a culture of counter fraud and ensuring local authorities adequately resource and have appropriate procedures in place to detect fraud. It also provides the role that members can play in contributing to combatting fraud.

THE REPORT

11. The Report in full can be found using the following link <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Protecting-the-public-purse-2013-Fighting-fraud-against-local-government.pdf>. Members are invited to read the Report in full. Whilst some aspects are not an issue for this Council they are still of interest.
12. Whilst the premise of the report, that Councils should actively take steps to detect fraud, is not in issue Members are asked to note that in the view of the Head of Governance some of the analysis is too high level to be properly indicative for all Councils. The comment “76% of all non-benefit frauds found, were detected by 25% of the councils” on the face of it is quite damning, but does not take into account there is no distinction drawn between County Councils, Unitarys (including Metropolitan Councils) and Districts and London Boroughs. It is clear that you are not comparing like for like, although it is accepted again that this oversimplifies the position.
13. The Report is structured in a way that each chapter builds on the previous.
14. Chapter 2: Detected fraud against councils and related bodies, draws together the evidence obtained from Local Authorities and provides a more detailed and useful breakdown of the frauds identified. Whilst not providing some of the hard hitting figures contained in the summary and recommendations which as stated in paragraph 12 are perhaps distorted, it is still worth noting the disparity between different council’s as to detection rates for fraud in different areas.
15. Chapter 3: Is fraud declining? Takes the data collected and compares it to previous years. Whilst there is a fall in the level of fraud detected, the Report quite properly states
- i. “It is not possible to say whether the decline in detected fraud represents lower levels of fraud committed or less detection by councils. In some council. It may signal the effect of reduced investigatory resources.”

Members are invited to review this chapter themselves. It is correct to recognise with the substantial cuts to local authorities central government grants in recent years, this is likely to have an impact on the ability, generally, to resource investigatory services. But the report does not conclude this is a sole contributory factor to the recorded fall.

16. Chapters 4 and 5 of the Report address specific areas and trends in those areas. Again the evidence obtained is provided in tables and the Report uses case studies taken from different authorities approach to detecting fraud. Again the content of the report is necessarily brief, but the principles are sound. Council's should actively take steps to identify fraud and procedures to facilitate this.
17. Chapter 6: National and local developments in fraud detection and deterrence, is perhaps the most important chapter for members. This outlines the role that Councillors have in supporting an organisational culture that seeks to deter and detect fraud. It recommends a top down lead on counter-fraud which includes the promotion of counter-fraud policies, the allocation of responsibility for monitoring the councils counter-fraud activities to an elected member, an increased focus on pro-active deterrence, the participation in national anti-fraud initiatives and whistle-blowing.

CHORLEY COUNCIL

18. As part of the Annual Governance Statement the Head of Internal Audit and Head of Governance have been tasked with reviewing Chorley Council's probity policies and their profile within the organisation. A more detailed report on embedding the Council's approach to probity and fraud will be brought to the Committee after the conclusion of that review.
19. However to confirm the Council have the following policies which address the issues of fraud
 - a. Anti-Fraud and Corruption Policy
 - b. Anti-Fraud Response Plan
 - c. Whistle-Blowing Policy.

In addition, the Council have detailed Contract Procedure Rules concerning the processes to be followed in the award of contracts; a scheme of delegation to ensure transparency in decision making; and an online system of controls to ensure there is an audit trail where the rules have been departed from. More detail is provided below.

20. This Committee may wish to seek to have the AGS work brought back to them at the March meeting with consideration of a recommendation to the Executive Cabinet that a lead member is appointed with specific responsibilities concerning counter-fraud.

Procurement

21. The Council has numerous controls in place to minimise the potential for procurement fraud. These include:
 - a. Contracts Procedure Rules which are the council's internal rules for purchasing goods, works and services and include strict procedures and controls as to how , when and by whom quotations and tenders may be invited, received, evaluated and accepted and the approval processes for this.
 - b. A Requirement that anyone involved in a procurement process must declare any conflict of interest or potential conflict of interest and take no further part in the award of a contract
 - c. Manual invitation, receipt and opening of all tenders and quotes above £10,000, has been replaced entirely by a secure e-tendering process through "the Chest. E -tendering has significantly improved transparency and control with a permanent and more effective e-audit trail.
 - d. The above is supported and underpinned by a professional procurement team (shared with SRBC as part of the SFS arrangement), who support and manage procurement activity through the Chest, and provide professional advice, support and training to officers across the authority who are involved in procurement activities. Additionally the procurement team have published various guidance

and template documents covering the full procurement cycle including risk and contract management.

Housing

22. The Committee are reminded that the Council do not hold any social housing stock and we work together with Chorley Community Housing in this regard. Chorley Council are advised that tenancy fraud is not a major issue in the Borough but that is not to say steps have not been taken to detect it. In 2011 with Adactus (CCH's parent company) we undertook a project mainly involving training for housing management officers and a publicity campaign. The key points of the project can be summarised as:
 - a. The 7 largest RPs of Social Housing in Chorley signed up as partners in the Tenancy Fraud Initiative
 - b. The project was operated in close partnership with Chorley Council
 - c. 27 representatives from Partners received comprehensive training in addressing tenancy fraud
 - d. The number of partners now satisfied with their approach to addressing tenancy fraud has increased
 - e. Partners have seen an improvement in their approach to tackling fraud as an organisation
 - f. 300% increase in reports made by the public of potential fraud using the hotline and online form.
23. Publicity included 'Catch a Cheat Week' which made the local press in late 2011 as well as a stall on Chorley Market. There were two phases with materials created, tenants contacted via newsletters, a reporting hot line and web form also. Soft Launch was June 2011 and Hard Launch October 2011.
24. Any reports we receive about possible subletting are reported directly to the landlord who investigate, we would have little involvement, however it would have been our responsibility if we had remained a landlord. For example one case that came to our knowledge via a Cllr was then reported on to CCH who already knew about it and dealt with it.

Eligibility for Housing Register

25. Most UK and Irish citizens and Commonwealth Citizens with the right of abode (plus the rest common travel area of Isle of Man and the Channel Islands) would be Eligible for the Housing Register as long as they are Habitually Resident. This will be most cases, and NI numbers, ID (passport, driving license or birth certificate), and 5 years address history are needed.
26. As eligibility rules can be complex the scope for fraud is minimal as they are not widely understood. Checks are generally carried out by exception flagged up by someone not being from the common travel area or indicating in their five year address history live or have lived outside the area. Any checks would be on a case by case basis depending on what information was given e.g. employment checks to show an EEA national from abroad is eligible could include wage slips as proof, or checking a person's refugee status could be done with UKBA if documentation was in any doubt.
27. Eligibility applies to homelessness applications the same way it does to housing register applications, however eligibility is just the first test for homeless applications and several other checks are carried out (homeless, unintentional, priority need and local connection) would also be carried out before a duty to house a household was accepted.

Benefit Fraud

28. The Council have a Benefit Enquiry Unit who undertake investigations into allegations of fraud against the Council and facilitate the prosecution of perpetrators. The Unit undertakes information sharing exercises with other agencies through processes such as the National Fraud Initiative and actively investigate complaints. Prosecutions are undertaken on the

Council's behalf by the Department For Works and Pensions and successful prosecutions are reported in the local paper which serves as a deterrent.

IMPLICATIONS OF REPORT

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

Finance	X	Customer Services	X
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

30. The Report of the Audit Commission properly highlights that counter-fraud is a valid means of protecting the public purse. Any recommendations that will improve prevention and detection are to be welcomed.

COMMENTS OF THE MONITORING OFFICER

31. None

CHRIS MOISTER
HEAD OF GOVERNANCE

Background Papers			
Document	Date	File	Place of Inspection
AUDIT COMMISSION REPORT: PROTECTING THE PUBLIC PURSE 2013	***	***	http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Protecting-the-public-purse-2013-Fighting-fraud-against-local-government.pdf

Report Author	Ext	Date	Doc ID
Chris Moister	5160	20 December 2013	

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Report of	Meeting	Date
Head of Governance	Governance Committee	16 January 2014

ANNUAL GOVERNANCE REPORT 2013 – PROGRESS REPORT

PURPOSE OF REPORT

1. This report updates Members on the progress made in implementing the Council’s Annual Governance Statement with provides for improvements to the Council’s Governance arrangements.

RECOMMENDATION(S)

2. That the report be noted.

EXECUTIVE SUMMARY OF REPORT

3. In June 2013, the Committee approved the council’s Annual Governance Statement. This provided a number of pieces of work which implemented would enhance the Council’s Governance arrangements.
4. Attached to this report is the AGS and a position statement for each project.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

5. 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

6. In accordance with statutory requirements, the Council published their Annual Governance Statement which was prepared and adopted having had reference to a review of the effectiveness of the existing systems of Governance. The AGS made a number of recommendations which would enhance these systems and which were adopted by this Committee in June 2013.
7. This report advises Committee of the current status of the recommendations. It is an interim report and the Committee will receive a final position report in June 2014.

8. The purpose of this report is to provide an overview of progress and rather than go through each project in detail, this report will address projects that are currently outside the agreed timetable for their delivery.
9. There is currently one project that is Orange. This relates to Updating the Disaster Recovery Plan in light of new operating arrangements. The Council has increased its reliance on ICT to deliver efficiency and service improvements. This reliance has increased the risk in this area. This work is currently orange as it had been intended to commence it earlier in the year. Members will note that terms of reference for the proposed solution have now been agreed. ICT have entered into negotiations with external suppliers and it is envisaged that work will commence early in the New Year to progress these improvements. A final report will be brought to Cabinet on this matter in the next municipal year.
10. Two projects are marked as Red. The first, to review how embedded the Council's document retention guidelines are within services has yet to commence. This piece of work was to be complimentary to the introduction of the Council's information management system. Whilst this was delivered on time, there were issues on launch which has led to its use being suspended pending further development.
11. The second, "Review the consistency and compliance with the Equality Scheme. To ensure that the scores given by Service Managers are adequately supported by evidence of compliance" is red as it has yet to commence. The work has been moved to the final quarter of this year and it is expected to be completed before the end of the municipal year.

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		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

13. none

COMMENTS OF THE MONITORING OFFICER

14. none

Chris Moister
Head of Governance

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Chris Moister	5160	23 December 2013	

CBC 2013 AGS ACTION PLAN

The annual governance self-assessment has now been undertaken by Internal Audit and the following table captures all the key improvement actions arising from that exercise. These include any important governance related actions that are already contained in individual Service Plans and other actions identified by the officer corporate governance group.

The agreed improvements will be recorded in the Annual Governance Statement (AGS) which will be published alongside the Council's financial statements, following its approval by the Governance Committee on 27th June.

Agreed Improvement	SMART Actions & Milestones	Lead Officer	Start Date	Finish Date	Status RAG	Comments
Consistent Management – Management Competency Framework Development	<ul style="list-style-type: none"> • Research best practice • Focus groups and leadership interviews • Data analysis and grouping into a framework • Testing the framework, devising a training concept and launch • Associated communication plan 	Camilla Schofield / Jane McDonnell	June 2013	October 2013	Complete	The Framework has now been launched at a recent staff listening day and is being incorporated into the appraisal, OD and recruitment processes
To develop the current level/programme of financial training packages for Budget Holders (& members) to include use of systems, process improvement and financial management techniques.	<ul style="list-style-type: none"> • Identify priority issues for customers and Shared Services • Consult customers • Produce packages • Deliver training • Develop self-service continual training via intranets 	Susan Guinness	April 2013	March 2014	Green	Specific training has been delivered to executive members and budget holders.
Further work to be done on members up skilling and training on financial matters (see above)	<ul style="list-style-type: none"> • Identify priority issues for customers and Shared Services • Consult customers • Produce packages • Deliver training • Develop self-service continual training via intranets 	Susan Guinness	April 2013	March 2014		This is being done in consultation with the general training needs for Governance Committee (see item below)

Agreed Improvement	SMART Actions & Milestones	Lead Officer	Start Date	Finish Date	Status RAG	Comments
To assess the training needs of Governance Committee members and compile a training plan		Chris Moister				Whilst this was raised as an issue this is being addressed within the Members PDP and Member Learning sessions as well as Governance Committee Specific Training
To undertake a review of local service indicators	<ul style="list-style-type: none"> • Agree new suite of local indicators • Set targets 	Chris Sinnott	June 2013	July 2014	Green	Performance indicators are under constant review to ensure relevance. New indicators have been agreed.
To embed the Risk Management Framework at service level	Review completion of risk registers for key projects, procurements & partnerships	Garry Barclay	January 2014	March 2014	Not yet commenced	
To review how embedded the Council's document retention guidelines are within services	The retention period for business documents is currently set to two years within the proposed IM system due to go live in September 2013 as part of the new Intranet. The introduction/training for staff in use of the new system is due to take place in August and a review of the periods will take place at the same time. The new system provides significant opportunity for the centralisation and corporate management of document retention periods which is not possible at the moment. All customer documentation outside the IM project are currently held indefinitely and will continue to do so not least for public records.	Asim Khan	August 2013	March 2014	Red	The IM system was launched on time, but significant issues have since been identified. The system has been taken off line pending the resolution of these issues.

Agreed Improvement	SMART Actions & Milestones	Lead Officer	Start Date	Finish Date	Status RAG	Comments
Review ICT administration arrangements to protect access to systems and assets	ICT management review the security of all administrative groups and accounts in line with industry best practice and establish a separate password Group Policy Object for administrators in line with Microsoft best practice advice i.e. complex, minimum 15 character password.	Asim Khan		July 2013	Complete	
Update Disaster Recovery plan to reflect new operating arrangements	The recent implementations of new technology has significantly improved the resiliency and recovery times for the server infrastructure at the Council. However, these implementations do now mean that the DR plans require a significant overhaul. This may result in some external consultation and additional spending being required. The starting point will be to develop a proposal for consideration by the business	Asim Khan			Orange	Significant work has taken place. A proposal has been agreed by cabinet and work has commenced to implement the recommendations. Negotiations are underway with the final suppliers and work with these will commence in the new year.
To review and update the Joint Procurement Strategy (JPS) in preparation for its renewal in 2014	<ul style="list-style-type: none"> • Review current JPS and recommend revisions • Cross reference project with training project in this BIP • Consult with key stakeholders • Update JPS with agreed amendments and updates • Get revised JPS approved • Communicate new JPS and provide training where necessary 	Susan Guinness	July 2013	March 2014	Green	The JPS is being consulted on by CBC and SRBC and works have been done to harmonise the Council's contract procedure rules to enable such a strategy to work as effectively as possible
To raise awareness of probity policies and guidance amongst staff	Actions to be considered	Chris Moister / Garry Barclay	January 2014	March 2014	Not Commenced	

Agreed Improvement	SMART Actions & Milestones	Lead Officer	Start Date	Finish Date	Status RAG	Comments
Ensure consistent standards for productivity are achieved following a review of the base line position and data	<ul style="list-style-type: none"> Reporting of individual performance measures Review and make decision on on-going reporting 	Chris Sinnott	July 2013	Sept 2013	Complete	Work has been undertaken and updates taken to Strategy Group. Directors are now leading on the individual performance management within their directorates.
Review customer feedback mechanisms to ensure the scores are supported by evidence and are consistent with customer surveys	Review customer satisfaction survey feedback, disaggregate by service and produce targeted actions.	Chris Sinnott	Sept 2013	Oct 2013	Complete	Work has been undertaken on understanding the figures, with targeted work in key service areas. This will be followed-up with work in the corporate strategy key project which was agreed in November
Review the consistency and compliance with the Equality Scheme. To ensure that the scores given by Service Managers are adequately supported by evidence of compliance.	Undertake review of application of equality scheme.	Chris Sinnott	Oct 2013	Dec 2013	Red	This work has been delayed until quarter four of 2012/13

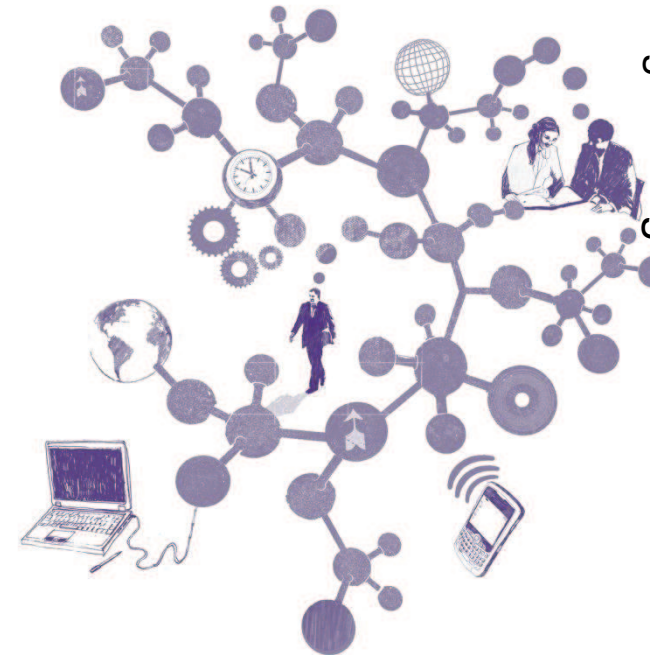
The Annual Audit Letter for Chorley Borough Council

Year ended 31 March 2013

October 2013

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Section 1: Executive summary

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Chorley Borough Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)
- certification of grant claims and returns (Section four).

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 25th September 2013.

Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 29th April 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified opinion on the Council's Whole of Government Accounts submission
- we have certified the Council's NNDR return, which was certified without amendment. We are currently auditing the Council's Housing Benefit Grant Claim.

Executive summary

Key areas for Council attention

We summarise here the key messages arising from our audit for the Council to consider as well as highlighting key issues facing the Council in the future.

The Council, in common with all local government bodies, continues to operate within an increasingly challenging financial environment. Against this background it delivered £0.90 million worth of savings.

The Council has a Medium Term Financial Strategy (MTFS) covering 2013-14 to 2015-16, which identifies a requirement for £1.6m of savings. Further work is required to meet the budget gap and to provide greater certainty of the financial position for 2014-15, however, the Council has made a good start in identifying those areas which can contribute towards funding the shortfall.

The Council will need to ensure that it continues to provide support to members to ensure effective challenge and decision making. It will also be essential that the Council's savings plans are clearly communicated, link to specific policy decisions, and that the impact on service levels and quality is clearly identified and monitored.

There remain significant financial uncertainties ahead, such as in respect of welfare reform and business rate retention. It remains important that the Council continues to make tough decisions to help bridge the current funding gap. This will require close consideration of service provision, alternative delivery models, review of income policies and council tax levels.

Faced with a continuing uncertain financial climate it will become even more critical to ensure that the Council has appropriate levels of reserves linked to a clear evaluation of the risks the Council faces.

Acknowledgements

This Letter has been agreed with the Chief Executive and was presented to the Governance Committee on 27th November 2013.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2013

Section 2: Audit of the accounts

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

The Council presented us with draft accounts on 26th June 2013. Good quality working papers were made available from the start of the audit fieldwork, which commenced 1st July 2013.

Issues arising from the audit of the accounts

We have not identified any adjustments affecting the Council's reported financial position. One material amendment was made to the financial statements relating to the reclassification of a reserve that had in 2011/12 been treated as a provision. The change was a technical one to show the reclassification as a prior-year adjustment rather than an in-year transaction. A small number of presentational and disclosure changes have been made to the financial statements to improve clarity, compliance with CIPFA's Code of Practice on Local Authority Accounting and to correct referencing inconsistencies.

Annual governance statement

There were no significant issues arising from our review of the Annual Governance Statement.

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Governance Committee at the Council). We presented our report to the Governance Committee on 12th September 2013 and summarised only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on the 20th September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Section 3: Value for Money

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

Value for Money

Scope of work

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

The Council has proper arrangements in place for securing financial resilience. The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

Our work highlighted that the Council's current arrangements for securing financial resilience are good. Further details are provided in our Financial Resilience report issued in September 2013. The Council has a good track record of achieving its cost savings requirements, delivering efficiency savings of £0.9m during 2012/13.

The Council, along with all other authorities, is faced with the continuing challenge of finding further savings which will become increasingly difficult. The need for robust governance and financial planning and management in local government is greater than ever. Chorley is well placed in this respect but will need to continue to keep this under review to ensure it can continue to respond effectively

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

The Council has adopted a corporate approach to identifying savings. Chorley continues to achieve savings through improved processes, negotiations with contractors and having an excellent understanding of its costs.

Value for Money

Performance monitoring shows that the Council has achieved its target efficiency savings for 2012/13 without having a detrimental impact on performance. The recent residents survey showed an increase in the percentage of residents who feel that the Council provides value for money.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Section 4: Certification of grant claims and returns

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

Certification of grant claims and returns

Introduction

We are required to certify certain of the claims and returns submitted by the Council. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified two claims and returns for the financial year 2012/13 relating to expenditure of £58.2 million.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Key messages

The key messages from our certification work are summarised in the table below. Further details are provided in our certification report issued in December 2013.

Summary of the Council's arrangements

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	The Council has good arrangements in place for submitting claims to be certified by us in line with the recognised deadlines.	●
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	Our work on certification of grant claims is on-going. Our work to date has not identified any issues which we wish to highlight. The detailed findings of our work will be reported in our Grant Certification report upon completion of our work	●
Supporting working papers	Working papers to support both claims were good and staff responded to any queries raised by us promptly.	●

Appendices

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Audit Fee	59,440	59,440
Grant certification fee	12,350	12,350
Total fees	71,790	71,790

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	March 2013
Audit Findings Report	September 2013
VfM – Financial Resilience Report	September 2013
Annual Audit Letter	October 2013
Certification report	To be issued December 2013



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Certification report 2012/13 for Chorley Borough Council

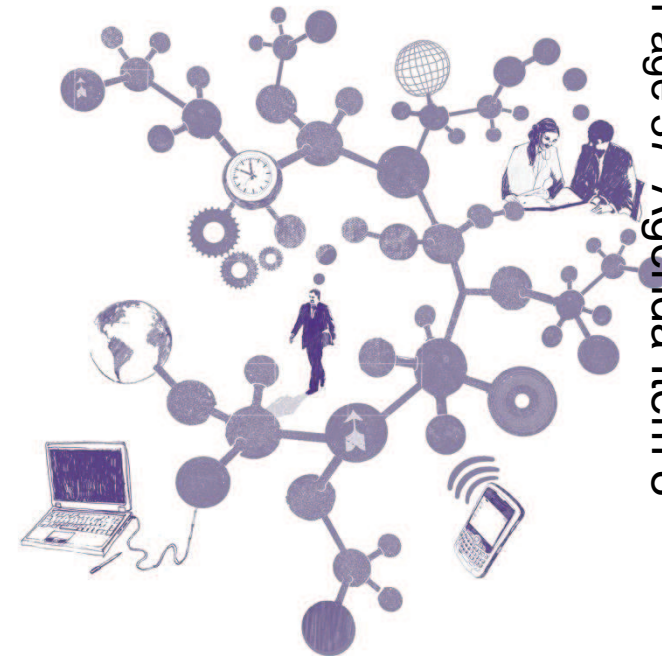
Year ended 31 March 2013

December 2013

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Section 1: Executive summary

01. Executive summary

02. Results of our certification work

Arrangements for certification for claims and returns:

- below £125,000 – no certification
- above £125,000 and below £500,000 – agreement to underlying records
- over £500,000 – agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Executive summary

Introduction

We are required to certify certain of the claims and returns submitted by Chorley Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified one claim and one return for the financial year 2012/13 relating to expenditure of £58.2 million.

This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Our approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform were discussed with the Council's key finance officers at our initial certification planning meeting in June 2013.

Key messages

The key messages from our certification work are summarised in the table below and set out in detail in the next section of the report.

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	All claims were submitted and certified in accordance with central government departmental deadlines.	●
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	The Housing & Council Tax Benefit Subsidy claim submitted for certification included a typographical error of £11.3m, and a classification error of £8,917. Neither of these amendments impacted on the net subsidy claimed by the authority. In addition, the National Non-Domestic Rates return was certified without amendment.	●
Supporting working papers	Supporting working papers for the claims and returns were good, which enabled certification within the deadline.	●

The way forward

The Council has sound arrangements in place for the preparation and submission of its claims for certification.

In relation to the issues identified as part of the Housing and Council Tax Benefit Subsidy claim, the Council has, since our visit, put in place arrangements, including additional quality control checks, aimed at reducing the risk of potential repayment of grant and additional fees.

Acknowledgements

We would like to take this opportunity to thank the Council officers for their assistance and co-operation during the course of the certification process.

**Grant Thornton UK LLP
December 2013**

Section 2: Results of our certification work

01. Executive summary

02. Results of our certification work

Results of our certification work

Key messages

We have certified one claim and one return for the financial year 2012/13 relating to expenditure of £58.2 million.

The Council's performance in preparing claims and returns is summarised below:

Performance measure	Target	Achievement in 2012/13		Achievement in 2011/12		Direction of travel
		No.	%	No.	%	
Claims submitted on time	100%	2	100	2	100	↔
Claims certified on time	100%	2	100	2	100	↔
Claims certified with amendment	0%	1	50	1	50	↔
Claims certified with qualification	0%	0	0	0	0	↔

This analysis of performance shows that:

- all claims and returns had been submitted for certification by the Council on time in accordance with central government department deadlines
- all claims and returns were certified within the relevant timescale
- In 2012/13 the Housing & Council Tax Benefit Subsidy claim has been amended due to a small number of errors in the processing of a number of non-HRA claims, and for a typographical error of £11.3m. The claim was amended by £8,917 in respect of the re-classification of the non-HRA claims but none of the amendments impacted on the net subsidy claimed by the Council.

Significant findings

Our work has not identified any significant findings in relation to the management arrangements and certification of individual grant claims and returns, other than the need for appropriate senior officer review of claims and returns, prior to submission for certification.

Certification fees

The Audit Commission set an indicative scale fee for grant claim certification based on 2010/11 certification fees for each audited body. The indicative scale fee for the Council for 2012/13 is £12,350. The breakdown of fees by claim is included at Appendix A.

Appendix

Appendix A: Fees

Claim or return	2011/12 fee (£) *	2012/13 indicative fee (£)	2012/13 actual fee (£)	Variance (£)	Explanation for significant variances
Housing benefits subsidy claim	10,023	10,300	10,300	0	
National non-domestic rates return	2,403	2,050	2,050	0	
Total	12,426	12,350	12,350	0	

* 2011/12 fee less 40% fee reduction applicable for 2012/13 onwards. This is shown in this way to make it comparable to the 2012/13 fee.



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Governance Committee Update for Chorley Borough Council

Year end 2013/14

15 November 2013

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a district council
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Governance Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager:

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Progress at November

Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	April 2014	No	
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	January – April 2014	No	
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July – September 2014	No	

Progress at November

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>We are required to give our VfM conclusion based on the two criteria:</p> <ul style="list-style-type: none"> •The Council has proper arrangements in place for securing financial resilience. The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. •The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity. 	<p>Jan – September 2014</p>	<p>No</p>	

Emerging issues and developments

Local government guidance

Income from charging

In September, the Audit Commission published '[Income from charging: Using data from the VFM Profiles, September 2013](#)'. The briefing provides an analysis of councils' 2011/12 income from charging, totalling £10.2 billion, and the contribution it made to service spending. It looks at the trends for different types of councils across broad service areas.

Key findings were:

- charging in 2011/12 funded 9 per cent of single-tier and county councils' overall service expenditure, and 20 per cent of district councils
- nationally the total income from charging was less than half the amount raised through council tax in 2011/12, at the local level it exceeded council tax in one in three (32 per cent) district councils and one in five (21 per cent) London boroughs
- there is great variation between councils in terms of the amount of income they generate from charges, the ratio of charging income to service spending, and the changes to these over recent years. The contribution of charging to spending in 2011/12 varied most for district councils, with 2 to 87 per cent being generated through charges.

The Audit Commission chairman, Jeremy Newman, said 'There is no 'one-size-fits-all' formula for how councils set their local charging policies. We are providing information and tools for councils, and those who hold them to account, to help understand the important role that charging plays in councils' strategic financial management. The fact that some bodies derive more income from charging than council tax is neither good nor bad, but highlights the significant role charging plays in funding public services, and reminds councillors and electors to carefully scrutinise the approaches councils are taking.'

Challenge questions:

- When did the Council last review its local charging policy? Does the Council's policy still support the Council's strategic objectives? What options are available for change?
- Do your officers monitor changes in income from charging and its contribution to spending in order to assess whether local charging policies are supporting the council's financial objectives and complying with legal requirements?
- Has your Head of Finance reviewed the council's charging policy and levels of income against similar organisations?
- Where issues have been identified, has an action plan been implemented?

Emerging issues and developments

Local government guidance

Business rate collection

In April 2013, the government introduced a business rates retention scheme. Local authorities as a whole will now be able to keep half of the business rates income they collect rather than paying it all into the national pool. As business rate income grows, authorities will keep half of the growth.

In October, the Audit Commission published '[Business rates: using data from the VFM profiles October 2013](#)'. This briefing has been drawn from the Commission's Value for Money (VFM) profiles and shows an analysis of English council's collection rates and costs of collecting business rates.

The Audit Commission also highlights the following steps councils could take to maximise business rates:

- supporting existing business to do well and attracting new businesses to the area
- identifying and billing all business properties with a rateable value promptly
- using discretionary relief in an effective way, targeting businesses most in need
- preventing and tackling fraudulent claims for relief
- improving collection rates
- reducing collection costs.

Challenge questions:

- Has your Head of Finance reviewed the costs and performance of your authority against similar organisations?
- What steps could your authority take to increase the amount it collects from business rates?
- Is an action plan in place?
- Are you satisfied that your authority has made a robust estimate for its provision for business rate appeals?

Emerging issues and developments

Grant Thornton

Potential for procurement fraud

The Chancellor's Spending Round announcement earlier this summer has forced authorities to make further cuts to their budgets and operate under tighter constraints.

As Chris Clements, Head of Public Sector Forensics at Grant Thornton UK LLP, wrote in Local Government News, the National Fraud Authority estimates that in the wider public sector, the cost of fraud reached a staggering £19.9bn this year. Procurement fraud in local government accounted for £876m of this amount and therefore a properly functioning procurement process is key to mitigating much of this risk of loss.

'Helping ensure people are not in a position where they are tempted by an opportunistic gain is vital. Employees feeling undervalued – either financially or on account of other motivating factors – can breed an atmosphere of despondency which allows for procurement fraud. Sometimes all it takes is one exploratory incident by an individual to snowball into a culture wide acceptance of fraud, where employees not only rationalise the activity, but are spurred on by other actions.'

Challenge questions:

- Does your authority have a properly functioning procurement process, where duties are clearly segregated?
- Does your authority maintain an adequate whistleblowing mechanism for whistleblowing, whereby employees feel they are able to report their suspicions in a safe and secure manner?

If you have any queries on procurements processes and/or procurement fraud, talk to your audit manager to see how Grant Thornton could help.

Emerging issues and developments

Accounting and audit issues

Simplifying and streamlining the presentation of local authority financial statements

Both HM Treasury and CIPFA/LASAAC have recently consulted on how to streamline and simplify local authority financial statements. In our response, we set out our view that streamlining is a collaborative process involving standard setters, preparers of the accounts and auditors. This requires a much needed change in culture and attitude from the accounting and auditing profession as a whole.

However, there is much that can be done now. In his October article in [Room 151](#), the on-line local authority finance publication, Graham Liddell, Grant Thornton's National Technical Lead sets out the practical steps local authorities can take to:

- learn the lessons from 2012/13 to improve the preparation and audit of the financial statements for future years
- de-clutter their accounts using the previous year's financial statements as the starting point

Graham notes that Grant Thornton has been working with a range of local authorities to achieve these goals. One council audited by Grant Thornton succeeded in producing a set of financial statements in 2012/13 that were only half the length of those for 2011/12 and were much easier to follow.

Challenge questions:

- How are you planning to improve the preparation of your financial statements for 2013/14?
- Do your financial statements provide a clear overall picture of the financial performance of your authority?
- Has your Head of Finance carried out a de-cluttering exercise to ensure that disclosures are relevant, material and up to date?

Emerging issues and developments

Accounting and audit issues

Consultation on Local Authority Accounting Code of Practice for 2014/15

CIPFA/LASAAC's consultation on the Local Authority Accounting Code of Practice for 2014/15 closed in October.

In our response we noted that the complexity of international financial reporting standards (IFRS) inevitably means that it is increasingly difficult to construct a Code that is comprehensive, of reasonable length and fit for purpose. We suggested that the Code of Practice follows the approach adopted by the Treasury in the Financial Reporting Manual under which bodies are required to follow the relevant accounting standard other than where there are specified formal adaptations or interpretations. This would result in a much shorter simpler Code with local authorities referring directly to the underlying standards themselves. This approach is consistent with that adopted in the NHS, where the accounting manuals do not seek to repeat text from accounting standards.

In respect of the some of the other key consultation issues, our views were:

- IFRS 13 - the Code should follow the principles of IFRS 13 as closely as possible. We regard it as important that there is a common application of fair value by all bodies preparing accounts under IFRS.
- Infrastructure assets - we supported the adoption of IFRS based accounting for infrastructure assets. We recognise the practical difficulties in doing this and have offered to work with CIPFA/LASAAC and local authorities to help overcome these difficulties.
- Schools - we emphasised the importance of addressing the accounting issues for schools as a matter of priority, particularly because this is an area for which the Whole of Government Accounts are currently qualified.

Challenge question:

- Has your Head of Finance reviewed the proposed amendments to the 2014/15 Code and assessed the potential impact?

Emerging issues and developments

Accounting and audit issues

Property plant and equipment revaluations

The 2013/14 Code of Practice on Local Authority Accounting changes the requirements for the frequency at which authorities are required to carry out valuations of property plant and equipment. Previously the Code permitted valuations to be carried out on a rolling basis over a maximum of 5 years. The 2013/14 Code now restricts this option by requiring:

- revaluations to be sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period
- items within a class of property, plant and equipment to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates.

However, the Code permits assets within the same class to be revalued on a rolling basis provided the revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date. There is no definition of 'a short period' but the Code's requirement to avoid reporting a mixture of costs and values as at different dates suggests that to comply with the Code, all assets within a particular class should be valued within the same financial year.

Challenge questions

- Are both your Head of Finance and your professional advisors satisfied that your revaluation programme is sufficiently regular to ensure that the carrying amount of Property, Plant and Equipment at 31 March 2014 will not differ materially from that which would be determined using the fair value at that date?
- Has your Head of Finance reviewed the changes to the 2013/14 Code and implemented a valuation process to ensure your authority complies with other aspects of the Code requirements?
- Where your authority is unable to comply fully with the Code in 2013/14, are you satisfied that any non-compliance is immaterial and has an action plan been put in place to address non-compliance issues in future years?

Emerging issues and developments

Accounting and audit issues

Public briefing on the Local Audit and Accountability Bill

In September, the Audit Commission published a [briefing note on the Local Audit and Accountability Bill](#). The Bill is currently going through Parliament.

The briefing provides background information on the Bill as well as a view on the areas where the Audit Commission believe that the Bill can be further improved. These areas are:

- collective procurement arrangements
- audit appointment arrangements
- the National Fraud Initiative
- small bodies
- supporting accountability to Parliament and the public
- reporting on arrangements to secure value for money
- updating the legislative framework governing local public audit.

Challenge question:

- Have you considered how the proposed audit arrangements under the Draft Local Audit Bill will affect you?



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Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	16 th January 2014

INTERNAL AUDIT INTERIM REPORT AS AT 29TH NOVEMBER 2013

PURPOSE OF REPORT

1. To advise members of the work undertaken in respect of the Internal Audit Plans for Chorley Council and Shared Financial Services for the period August 2013 to November 2013 and to comment on the outcomes;
2. To give an appraisal of the Internal Audit Service’s performance to date;

RECOMMENDATION(S)

3. That the report be noted.

EXECUTIVE SUMMARY OF REPORT

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

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

5. 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

6. This is the second progress report for 2013/14 and covers the period between 1st August 2013 and 29th November 2013.

INTERNAL AUDIT PLANS

7. **Appendix 1** provides a “snapshot” of the overall progress made in relation to the 2013/14 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. The Internal Audit Plans are on target to be achieved. Members should note that although a number of the reports have been given an adequate assurance rating, the agreed management actions relate to improving controls rather than a failure of core controls.

8. The table below provides a summary of the audit work completed since the last meeting together with any control issues identified.

Audit Area	Control Rating	Comments
System Interrogations	Not applicable	<p>IDEA software was utilised to identify unusual activity within the Creditors Payments System, for example payment runs completed outside the normal processing periods.</p> <p>All payment runs were included in the tested data for the period October 2012 to October 2013 and incorporated Creditors, Benefits, Council Tax and NNDR refunds.</p> <p>No unusual activity was identified.</p>
Asset Management	Adequate	<p>The audit focused primarily on the core maintenance service.</p> <p>The review provides the Head of Governance with recommendations to take the service forward both during the transitional period and beyond. These included strengthening and updating the Planned Maintenance Programme and the Improvement Management Programme, improving communication / reporting to enable more effective monitoring of works and budgets.</p>
Council Tax Discounts	Adequate	<p>This review focused on the application of Council Tax Discounts. It was agreed to raise awareness of the consequences of making a fraudulent claim and also of the Council’s pro-active exercises in order to prevent and detect fraud. Consideration will also be given to establishing a cost effective method of reviewing single person discounts.</p>

Audit Area	Control Rating	Comments
Neighbourhood Officers	Adequate	<p>The purpose of this audit was to ascertain whether the operational and management arrangements for Neighbourhood Officers are effective.</p> <p>Management actions were agreed to strengthen procedural guidance notes for IDOX Enterprise, introduce additional management checks and review the arrangements for producing performance management information.</p>
Cash and Bank	Substantial	<p>The aims of the review were to determine that the banking service was being delivered as stated in the new contract and to ensure that the banking arrangements are working as intended.</p> <p>There were no key control issues identified.</p>

- 9. All of the reviews completed since the last meeting have been given either substantial or adequate assurance ratings.

INTERNAL AUDIT PERFORMANCE

- 10. **Appendix 2** provides information on Internal Audit performance as at 29th November 2013. We are pleased to report that all the indicators have either been achieved or exceeded.

IMPLICATIONS OF REPORT

- 11. 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 2013/14 Internal Audit Plans for Chorley Council and Shared Financial Services.

Report Authors	Ext	Date	Doc ID
Garry Barclay Dawn Highton	01772 625272 01257 515468	December 2013	Audit Interim report

APPENDIX 1

INTERNAL AUDIT PLANS 2013/14

AUDIT AREA	PLAN (Days)	ACT (Days)	BAL (Days)	CONTROL RATING	COMMENTS
SHARED FINANCIAL SERVICES					
Main Accounting System	15	0	15		To commence Q4
Creditors	15	0	15		To commence Q4
Payroll	20	4.6	15.4		In progress
Treasury Management	15	0	15		To commence Q4
Cash & Bank / Cheque Control	20	20.8	-0.8	Substantial	Completed
Post Audit Reviews	10	2	8		On-going
Contingency	20	0.3	19.7		No requests received
Residual Work from 2012/13	20	19.7	0.3		Complete
TOTAL	135	47.4	87.6		
CHORLEY					
CORPORATE AREAS					
Annual Governance Statement	15	12.2	2.8	N/A	Complete
Anti-Fraud & Corruption	15	7.1	7.9	N/A	On-going
National Fraud Initiative (NFI)	20	17.5	2.5	N/A	On-going
System Interrogations	10	4.5	5.5	N/A	On-going
Financial Regulations	5	0	5		To commence Q4
PARTNERSHIPS, HOUSING & PLANNING					
Cotswold House	15	0	15		To commence Q4
CIL (with PCC & SRBC)	10	2.2	7.8	N/A	On-going
Markets	10	11.3	-1.3	Substantial	Complete
TRANSFORMATION					
Performance Management	5	0	5		To commence Q4
Facilities & Building Management	15	13.8	1.2	Adequate	Complete
Mobile Phones	15	18.4	-3.4	Limited	Complete
Information Management	15	0	15	N/A	Deferred to 14/15
Asset Management	15	15.7	-0.7	Adequate	Complete
New Payroll System	15	0	15	N/A	Deferred to 14/15
Revenues & Benefits					
Council Tax Discounts	15	16.4	-1.4	Adequate	Complete
Council Tax					In progress
Non Domestic Rates					In progress
Housing & Council Tax Benefits	30	1.3	28.7		In progress
Debtors					In progress
PEOPLE & PLACES					
Fuel Management	10	0	10		To commence Q4
Neighbourhood Officers	10	11.6	-1.6	Adequate	Complete
Review of CCTV	15	17.9	-2.9		Interim Report issued
GENERAL AREAS					
Irregularities (Contingency)	20	7.1	12.9	N/A	On-going
Post Audit Reviews	10	8.5	1.5	N/A	On-going
Residual Work from 2012/13	15	11.3	3.7	N/A	Complete
Unplanned Reviews (Contingency)	20	10.9		N/A	On-going
CCTV Outcome report		9.4	-0.3		In progress
Governance Committee	20	9.9	10.1	N/A	On-going
TOTAL	345	207	138		

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 29th NOVEMBER 2013

	Indicator	Audit Plan	Target 2013/14	Target to Date	Actual to Date	Comments
1	% of planned time used	SS	90%	33%	35%	Target exceeded
		CBC	90%	60%	60%	Target achieved
2	% audit plan completed	SS	100%	25%	25%	Target achieved
		CBC	100%	60%	60%	Target achieved
3	% management actions agreed	SS	98%	98%	100%	Target exceeded
		CBC	98%	98%	100%	Target exceeded
4	% overall customer satisfaction rating (assignment level)	SS	90%	0%	0%	Not applicable
		CBC	90%	90%	95%	Target exceeded

SS = Shared Services
CBC = Chorley