

GOVERNANCE COMMITTEE

WEDNESDAY, 9TH MARCH 2016, 2.30 PM
COMMITTEE ROOM 1, TOWN HALL, CHORLEY

AGENDA

APOLOGIES

1 **MINUTES**

(Pages 3 - 6)

To confirm the minutes of the Governance Committee meeting held on 13 January 2016 (enclosed)

2 **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.

3 **GOVERNANCE COMMITTEE UPDATE FOR YEAR ENDING 31 MARCH 2016**

(Pages 7 - 22)

Report of the External Auditors (enclosed)

4 **CERTIFICATION WORK FOR CHORLEY COUNCIL FOR YEAR ENDED 31 MARCH 2015**

(Pages 23 - 24)

End of year letter of the External Auditor (enclose)

5 **INTERNAL AUDIT PLAN 2016/17**

(Pages 25 - 32)

Report of the Head of Shared Assurance Services (enclosed)

6 **RIPA APPLICATION UPDATE**

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

7 **ANY URGENT BUSINESS PREVIOUSLY AGREED WITH THE CHAIR**

GARY HALL

Meeting contact Dianne Scambler on 01257 51034 or email dianneb.scambler@chorley.gov.uk

CHIEF EXECUTIVE

Electronic agendas sent to Members of the Governance Committee Councillor Paul Leadbetter (Chair), Councillor Anthony Gee (Vice-Chair) and Councillors Alan Cullens, Gordon France, Margaret France, Margaret Lees, Matthew Lynch and Debra Platt.

If you need this information in a different format, such as larger print or translation, please get in touch on 515151 or chorley.gov.uk

**MINUTES OF GOVERNANCE COMMITTEE****MEETING DATE** Wednesday, 13 January 2016**MEMBERS PRESENT:** Councillor Paul Leadbetter (Chair), Councillor Anthony Gee (Vice-Chair) and Councillors Alan Cullens, Gordon France, Margaret France, Matthew Lynch and Debra Platt**OFFICERS:** Gary Hall (Chief Executive), Chris Moister (Head of Governance and Property Services), Janet Hinds (Principal Procurement Officer), Dawn Highton (Principal Auditor) and Dianne Scambler (Democratic and Member Services Officer)**APOLOGIES:** Councillor Margaret Lees**OTHER MEMBERS:** Councillor Peter Ripley (Independent Member), Fiona Blatcher (Grant Thornton UK LLP), Mark Heap (Grant Thornton UK LLP) and Gareth Winstanley (Grant Thornton UK LLP)**16.G.26 Minutes****RESOLVED – That the minutes of the Governance Committee meeting held on 23 September be confirmed as a correct record for signing by the Chair.****16.G.27 Declarations of Any Interests**

There were no declarations of any interests.

16.G.28 Introduction and Thanks

Fiona Blatcher (External Auditor) was attending her last meeting of Governance Committee at the authority as legal requirements did not allow for any auditor to continue working with the same Council for more than seven years and introduced her successor Mark Heap who was a Director at Grant Thornton UK LLP.

The Chair on behalf of the Committee and officers of the Council welcomed Mark and thanked Fiona for her hard work and invaluable contribution to the work of the authority and Governance Committee over the years.

16.G.29 Annual Audit Letter 2015/16

The Committee received a report of our external auditor that provided a summary of the work carried out by them at Chorley Council for the year ended 31 March 2015.

The letter communicated key messages to the Council and external stakeholders, including members of the public. The report includes the audit conclusions which were provided in relation to 2014/15.

Arrangements for the recording of and billing of income from developers in respect of Section 106 monies had now been strengthened and would continue to be monitored.

RESOLVED - That the report be noted

16.G.30 Governance Committee Update Report

The Committee received a report that showed the progress made by our External Auditors in delivering their responsibilities. The report also provided a summary of emerging national issues and developments that may be relevant to the Council and included a number of challenge questions in relation to these issues that the Committee may wish to consider.

The 2015/16 Audit Plan was still on track to be issued by the end of March and would be presented at the Committee's next meeting. Interim fieldwork visits included, a review of the authority's control environment, updating and understanding of financial systems, review on core financial systems, early substantive testing and a proposed Value for Money conclusion.

The scope of their work to inform the 2015/16 Value for Money conclusion has been revised based on national guidance and the areas of focus would not be around informed decision making, sustainable resource development and working with partners and other third parties.

Grant Thornton had produced a report of audit committee effectiveness that gave a cross-sector review, encompassing the corporate, not for profit and public sectors. It provided an insight in to the ways in which audit committees can create an effective role within an organisations governance structure and help to understand how they are perceived more widely. As the authority had conducted its own review using CIPFA guidance on this matter, the Chief Executive asked that the head of Shared Assurance Services cross reference the two documents so ensure the effectiveness of our Committee.

RESOLVED

- 1. That the report be noted.**
- 2. That the Head of Shared Assurance Services cross reference the two reports on Audit Committee Effectiveness Review produced by Grant Thornton UK LLP and Chorley Council using guidance from CIPFA.**

16.G.31 Contract Procedures and Rules and the Contract Regulations

The Committee received a report of the Chief Executive that updated them on the Council's Contracts Procedure Rules to take account of the new 2015 Public Contracts Regulations, the revised EU thresholds effective from 1 January 2016 and

introduction of some practical updates to ensure that the rules remained effective and fit for purpose, without being overly bureaucratic.

The new regulations came in to force on 26 February 2015 and replaced the previous 2006 regulations and transpose into UK law and the 2014 EU Public Contracts Directive.

Members were informed that EU procurement thresholds are adjusted every two years and new thresholds came into force on 1 January 2016. A copy of the current rules, adapted with track changes was presented to the Committee and explained in detail at the meeting.

A review was carried out to ensure that relevant, compliant, optimum processes and controls are in place and maintained in order to achieve overall best value in the procurement process.

In response to Members questions it was explained that local businesses get a fair and equal chance to procure contracts from the Council. Under the regulations, the authority can personally invite local businesses and questions can be built into the tendering process around sustainability and social benefits for the town, this also helps the Council to achieve best value and the best price. Similarly questions can also be included that would determine suitability and reputation.

RESOLVED – That the revised Contracts Procedure Rules in Appendix 1 of the report be approved by the Governance Committee and recommended to be adopted by full Council

16.G.32 Internal Audit Interim Report as at 27 November 2015

The Head of Shared Assurance Services provided a report advising members of the work being undertaken in respect of the Internal Audit Plans for Chorley Council and Shared Services for the period August to November 2015 and gave an appraisal of the Internal Audit Service's performance to date.

A summary of the audit work completed since the last meeting was provided together with a control rating and any control issues identified.

The Audit Plans were on target to be achieved and the majority of performance indicators had either been achieved or exceeded. The percentage of the audit plan completed for this authority was slightly below target due to a delay in finalising one review but officers were confident at this stage that the resources were in place to complete the plan.

RESOLVED – That the report be noted.

16.G.33 Revised Guidance for Audit/Governance Committee

The Committee received a report of the Head of Shared Assurance Services that evaluated the Council's compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance.

The Committee were presented with a revised Terms of Reference for Members consideration and proposals to address recommendations made in relation to developing member's skills and knowledge.

Members were happy with the changes made and asked for the evaluation on Government Committee Knowledge and Skills be circulated to the full membership of the Committee so that views could also be sought from the External Auditors, the Independent Person and officers. The Chair asked for the form to be amended to request details of those people who ticked boxes 3 or 4 so that any issues could be identified and resolved.

RESOLVED:

- 1. That the report be noted.**
- 2. That the revised Terms of Reference be adopted**
- 3. That the Evaluation of Governance Committee Knowledge and Skills be distributed to the full Committee membership and fed back to the Member Support Working Group for consideration of the Member Development Programme**

16.G.34 RIPA Application Update

The Monitoring Officer reported that there had been no RIPA applications made.

Chair

Date

Audit Committee Update

Chorley Council

Year ended 31 March 2016

February 2016

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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; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit 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 (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Making devolution work: A practical guide for local leaders
- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- All aboard? our local government governance review 2015
- Knowing the ropes: Audit Committee effectiveness review
- Reforging local Government: financial health and governance review 2015

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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Gareth Winstanley Audit Manager M 07880 456211 gareth.j.winstanley@uk.gt.com

Progress at 29th February 2016

Work	Planned date	Complete?	Comments
<p>2015-16 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 2014-15 financial statements.</p>	April 2016	No	We will issue our Audit Plan in April and present it at the next available Governance Committee.
<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. 	Jan – March 2016	In progress	Our interim audit is substantially complete. We will report the findings of our interim audit within the Audit Plan.
<p>2015-16 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2015-16 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	June – September 2016	On track	We have already held a number of meetings with the Finance team to discuss the arrangements for the final accounts audit.

Progress at 29th February 2016

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2015/16 VfM conclusion has recently been subject to consultation from the National Audit Office. The audit guidance on the auditor's work on value for money arrangements was published on 9 November 2015.</p> <p>Auditors are required to reach their statutory conclusion on arrangements to secure VFM based on the following overall evaluation criterion: <i>In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.</i></p> <p>To help auditors to consider this overall evaluation criterion, the following sub-criteria are intended to guide auditors in reaching their overall judgements:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties. <p>We will be required to report by exception if we conclude that we are not satisfied that the Council has in place proper arrangements to secure value for money in the use of its resources for the relevant period.</p>	<p>February – June 2016</p>	<p>On track</p>	<p>The guidance and supporting information includes:</p> <ul style="list-style-type: none"> • the legal and professional framework; • definitions of what constitute 'proper arrangements'; • guidance on the approach to be followed by auditors in relation to risk assessment, with auditors only required to carry out detailed work in areas where significant risks have been identified; • evaluation criteria to be applied; • reporting requirements; • CCG specific guidance. <p>The guidance is available at https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/</p> <p>Now that the finalised auditor guidance is available, we will carry out an initial risk assessment to determine our approach and report this in our Audit Plan.</p> <p>Our work will be reported in the Audit Findings Report presented to the September meeting of the Audit Committee.</p>

Reforging local government: Summary findings of financial health checks and governance reviews

Grant Thornton market insight

The recent autumn statement represents the biggest change in local government finance in 35 years. The Chancellor announced that in 2019/20 councils will spend the same in cash terms as they do today and that "better financial management and further efficiency" will be required to achieve the projected 29% savings. Based on our latest review of financial resilience at English local authorities, this presents a serious challenge to many councils that have already become lean.

Our research suggests that:

- the majority of councils will continue to weather the financial storm, but to do so will now require difficult decisions to be made about services
- most councils project significant funding gaps over the next three to five years, but the lack of detailed plans to address these deficits in the medium-term represents a key risk
- Whitehall needs to go further and faster in allowing localities to drive growth and public service reform including proper fiscal devolution that supports businesses and communities
- local government needs a deeper understanding of their local partners to deliver the transformational changes that are needed and do more to break down silos
- elected members have an increasingly important role in ensuring good governance is not just about compliance with regulations, but also about effective management of change and risk
- councils need to improve the level of consultation with the public when prioritising services and make sure that their views help shape council development plans.



Our report is available at <http://www.grantthornton.co.uk/en/insights/reforging-local-government/>, or in hard copy from your Engagement Lead or Engagement Manager.

CFO Insights– driving performance improvement

Grant Thornton and CIPFA Market insight

CFO insights is an online analysis tool that gives those aspiring to improve the financial position of their local authority instant access to insight on the financial performance, socio- economy context and service outcomes of every council in England, Scotland and Wales.

The tool provides a three-dimensional lens through which to understand council income and spend by category, the outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours. CFO Insights is an invaluable tool providing focused insight to develop, and the evidence to support, financial decisions.

We are happy to organise a demonstration of the tool if you want to know more.



Website re-launch

Grant Thornton

We have recently launched our new-look website. Our new homepage has been optimised for viewing across mobile devices, reflecting the increasing trend for how people choose to access information online. We wanted to make it easier to learn about us and the services we offer.

You can access the page using the link below -
<http://www.grantthornton.co.uk/en/insights/?tags=local-gov&q=sustainable+communities>



CIPFA reports and publications

Local Government Issues

Audit Panels

In December 2015 the Chartered Institute of Public Finance and Accountancy (CIPFA) published its guidance on the establishment of auditor panels.

Under the Local Audit and Accountability Act 2014 'relevant authorities' are able to appoint their own local auditors via an auditor panel. The Secretary of State for Communities and Local Government has decided to implement a phased introduction of the new local audit framework, with all health bodies and smaller local government bodies moving to the new framework as planned on 1st April 2017 and larger local government bodies a year later, on 1st April 2018. In practice, this means that smaller local authorities must have appointed their local auditors by 31st December 2016 and larger principal authorities by 31st December 2017.

The guidance sets out the options available to local authorities in England for establishing an auditor panel; what form such a panel can take; the operation and functions of the panel; and the main task of the panel – that is, advising the authority in connection with the appointment of the local auditor

Better Care Fund

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Healthcare Financial Management Association (HFMA) have issued a joint report examining the progress that has been made six months into the implementation of the government's £5.3bn Better Care Fund (BCF) arrangements. While the report points out that the fund has already begun to produce improved working relationships between NHS bodies and local public services, it highlights that more needs to be done to ensure the success of the BCF. The report is based on the results of a CIPFA and HFMA joint finance staff survey of NHS bodies and local authorities representing almost a third of BCF sites, and is available from the CIPFA website - <http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/better-care-fund-struggling-with-red-tape>.

Accounts - public rights of inspection and challenge

Local Government issues: National Audit Office

Council accounts: a guide to your rights

The NAO has published an updated version of Council accounts: a guide to your rights on its website. The guide has been updated to reflect the new requirements of the Local Audit and Accountability Act 2014, and applies to 2015-16 accounts. The document provides information on how people can ask questions and raise objections about the accounts of their local authority.

<https://www.nao.org.uk/code-audit-practice/council-accounts-a-guide-to-your-rights/>

Arrangements for the exercise of public rights:

The Accounts and Audit Regulations 2015 set out new arrangements for the exercise of public rights from 2015/16 onwards. A key implication of the Act is that the final approval of the statement of the accounts by an authority prior to publication cannot take place *until after the conclusion of the period for the exercise of public rights*. As the thirty working day period for the exercise of public rights must include the first ten working days of July, authorities will not be able to approve their audited accounts or publish before 15th July 2016.

Smaller authorities must also wait until the conclusion of the thirty working day period for the exercise of public rights before publishing their accounts and the auditor's report.

Results of auditors' work 2014/15

Public Sector Audit Appointments

Following the closure of the Audit Commission on 31st March 2015, Public Sector Audit Appointments (PSAA) became responsible for appointing auditors to local Government bodies and for overseeing the delivery of consistent, high-quality and effective external audit services. The Audit Commission previously published Auditing the Accounts reports for Local Government bodies covering the 2012/13 and 2013/14 financial years. The reports summarised the results of the work of auditors appointed by the Commission at local bodies. This is the first such report published by PSAA, and it summarises the results of auditors' work at 509 principle bodies and 9,755 small bodies. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors utilised their statutory reporting powers.

The timeliness and quality of financial reporting for 2014/15 remained broadly consistent with the previous year for both principal and small bodies, according to Public Sector Audit Appointments Limited's *Report on the results of auditors' work 2014/15: Local government bodies*.

- for principal bodies, auditors at 345 of 356 councils (97 per cent) were able to issue the opinion on the accounts by the statutory accounts publication date of 30th September 2015.
- 97 per cent of police bodies and fire and rescue authorities also received the audit opinion by 30th September 2015.
- for the second year in a row there have been no qualified opinions issued to date to principal bodies.
- the number of qualified conclusions on value for money arrangements has remained consistent with the previous year at 4 per cent (17 councils, one police body and one fire and rescue authority).

IFRS 13 'Fair value measurement'

Accounting and audit issues

The 2015/16 Accounting Code applies IFRS 13 'Fair Value Measurement' for the first time. The standard sets out in a single framework for measuring fair value and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

There is no public sector adaptation to IFRS13 but the Treasury and therefore the Code has adapted IAS 16 Property, Plant and Equipment so that operational assets (providing service potential) are no longer held at fair value but current value. As such IFRS 13 does not apply to operational assets. This new definition of current value means that the measurement requirements for operational property, plant and equipment providing service potential have not changed from the prior year.

However, surplus assets will need to be measured under the new definition of fair value, reflecting the highest and best use from the market participant perspective.

Other areas affected by the new standard include investment property, available for sale financial assets and those items where fair values are disclosed - for example, long term loans and PFI liabilities. IFRS 13 also introduces extensive disclosure requirements.

Local authorities need to:

- identify/ review their classification of surplus assets and investment properties
- discuss IFRS 13 with their property valuers and treasury advisers to ensure that fair values provided are produced in line with the new standard
- update accounting policies and disclosures to reflect the new standard.

Challenge question

- Has your Head of Shared Financial Services reviewed the surplus assets and investment property categories to ensure what is included is correctly classified?
- Has your Head of Shared Financial Services ensured property valuers and treasury advisers are aware of the fair value definitions under IFRS 13?
- Have the accounting policies and disclosures in your accounts been updated to reflect the IFRS 13 requirements?

Unlodged non-domestic rate appeals

Accounting and audit issues

Last year, there were primarily no provisions for unlodged non-domestic rates appeals as appeals received on or after 1 April 2015 were only backdated to 1 April 2015. The effect of last years announcement was supposed to put authorities in the position as if the revaluation had been done in 2015 as initially intended before the extension to 2017. This was only a one year reprieve and so any unlodged appeals at 31 March 2016 will only be backdated to 1 April 2015 and therefore may not be material.

However, this year, local authorities will need to estimate a provision for unlodged appeals but as above it may not be material.

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and the Code it is in only extremely rare cases that a reliable estimate cannot be made. Therefore, if your local authority does have such an instance, the rationale needs backing up: both in terms of disclosures (as a contingent liability) and in providing evidence to those charged with governance as to why a reliable estimate for the provision cannot be made.

Challenge question

- Has your Head of Shared Financial Services made plans to assess the need for an unlodged non-domestic rates appeal provision?



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Mr Gary Hall
Chief Executive
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Dear Gary

14 January 2016 Grant Thornton UK LLP
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Certification work for Chorley Borough Council for year ended 31 March 2015

We are required to certify certain 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.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015

We have certified one claim for the financial year 2014/15 relating to expenditure of £26.5 million.

As you are aware, the benefits team provided excellent support to our work, this year, in completion of the additional 40+ testing workbook required as a result of the errors identified in the initial discovery sample testing. Their work highlighted a number of areas where errors had arisen during the year, but none resulted in an amendment to the claim.

Our qualification letter to the Department of Work and Pensions (DWP), in relation to the extrapolated impact of the errors identified, that resulted in overpayment of benefits, indicated a total potential impact of £4,350, which when compared to the total subsidy claimed of £26,542,145 represents 0.02% of the return (see Appendix A). The DWP guidance requires us to report this within a qualification letter. We do not expect the DWP to amend the return for this amount.

In all other respects we are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims/returns for audit certification. The indicative fee for 2014/15 for the Council is based on the final 2012/13 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification under the Audit Commission regime (such as the national non-domestic rates return, and pooling housing capital receipts return) have been removed. The indicative scale fee set by the Audit Commission for the Council for 2014/15 is £8,910.

Yours sincerely

For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2014/15

Claim or return	Value (£)	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim (BEN01)	26,524,145	No	n/a	Yes	Under DWP reporting requirement we are required to notify the DWP of the errors identified. The potential impact of these on the return is £4,350 (0.02%).



Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	9 th March 2016

INTERNAL AUDIT PLAN 2016/17

PURPOSE OF REPORT

- To remind members of the respective roles of managers and Internal Audit to maintain a sound system of governance and internal control within the Council.
- To seek the Governance Committee’s approval of the 2016/17 Internal Audit Plan.

RECOMMENDATION

- That the Committee approves the 2016/17 Internal Audit Plan.

EXECUTIVE SUMMARY OF REPORT

- The 2016/17 Internal Audit Plan has been compiled in consultation with Directors and Heads of Service following a detailed risk assessment.

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	X

BACKGROUND - THE ROLE OF MANAGEMENT AND INTERNAL AUDIT

- The responsibility for implementing a strong system of governance and internal control within the Council lies primarily with management. Directors and Heads of Service need to ensure that they maintain effective control procedures not least because services and business systems are subject to on-going change.
- Internal Audit is an independent appraisal function whose prime objective is to evaluate and report on the adequacy of the Council’s system of governance and internal control. This is largely achieved through an annual programme of reviews.

AUDIT PLAN

8. The 2016/17 Internal Audit Plan contains the programme of reviews for the next financial year and is shown at **Appendix 1**. This has been constructed following an assessment of audit need by considering a range of factors, such as significant changes in staffing, systems and procedures, the length of time since an area was last audited and items in the Corporate Risk Register. There has also been extensive consultation within each service and by Strategy Group which has taken an overview of audit requirements.
9. The following paragraphs summarise the individual areas that will be subject to audit coverage in 2016/17.
10. **Corporate**
 - Undertaking corporate and service level governance reviews in support of the Annual Governance Statement.
 - Raising Officers' and Members' awareness of fraud by publishing regular fraud bulletins.
 - Co-ordinating the Council's input to the Cabinet Office National Fraud Initiative (NFI), which enables specific data on the Council's computer systems to be collated and "matched" with similar data from other councils / public bodies, in order to identify any potential irregularities.
11. **Chief Executive**

Policy and Communications:

 - Verification of the integrity of performance data.
 - A review of compliance with the Project Management Toolkit.
 - A review of compliance with policies and procedures for managing internally managed events.

Human Resources and Organisational Development:

 - This review will focus on compliance with Health & Safety regulations in specific high risk areas.

Finance:

 - Membership of the project team for the proposed new payroll arrangements.
12. **Customer & Advice Services**

Housing:

 - A system review of Disabled Facilities Grants / Integrated Home Improvement Service.

ICT:

 - This review will incorporate compliance with the outsourced network contract and review the infrastructure security arrangements.

Customer:

- A review of the key financial systems within Revenues and Benefits.
- A system review of Land Charges.

13. **Public Protection, Streetscene & Community**

Health, Environment and Neighbourhoods:

- A review of the Council's safeguarding arrangements including Disclosure and Barring Service checks.
- This work will review the Council's arrangements under the new "Prevent" duty to prevent / address radicalisation in communities.

Leisure and Streetscene:

- A full system review of the stores at Bengal Street Depot.
- A review of the monitoring of fuel consumption following the introduction of the new fuel management system.
- A review of compliance with the Indoor Leisure Contract.

Planning

- Following the work undertaken in 2015, a full system review of Section 106 monies and Community Infrastructure Levy will be undertaken.
- A system review of Development Control.

14. **General Areas**

- Undertaking investigations.
- Following up management actions agreed in earlier audit reports.
- Completing any residual work outstanding from 2015/16.
- Responding to requests from Management for unplanned reviews.
- Preparing reports for and attending the Governance Committee.

15. **Shared Services**

- We undertake a review of the Key Financial Systems annually however during 2015/16, we have changed our approach to the testing of the key controls within the financial systems. A cyclical approach has been adopted with specific controls targeted for in-depth compliance testing. This will continue for the 2016/17 Internal Audit Plan.

RISK RATINGS

16. Appendix 1 shows the risk rating that has been applied to each review included in the 2016/17 Internal Audit Plan. Each review is considered against a range of risks and the impact that it would have if the system was to fail. An overall risk score is allocated to the review and this determines the risk rating. **Appendix 2** shows how the risk scores / ratings have been derived.
17. The 2016/17 Internal Audit Plans therefore contain 24 reviews, of which 13 are Critical systems and the remaining 11 are classed as Major systems.

AUDIT DAYS

18. The Internal Audit Plan for 2016/17 is based on a resource of **345 audit days for Chorley Council and 145 days for the Shared Service**. This is the number of chargeable days available within the existing budget (after deducting annual leave and other non-chargeable time). It comprises of a mix of in-house and bought-in resources from Lancashire Audit Services (Lancashire County Council) in order to provide access to specialist computer audit service.

IMPLICATIONS OF REPORT

19. This report has implications for all service areas within the Council.

Garry Barclay
Head of Shared Assurance Services

BACKGROUND PAPERS

Internal Audit Risk Assessment

Report Author	Ext	Date	Doc ID
Garry Barclay Dawn Highton	01772 625272 01257 515468	March 2016	2016 / 2017 Internal Audit Plan

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APPENDIX ONE - INTERNAL AUDIT PLAN 2016/17

CHORLEY COUNCIL	RISK RATING	AUDIT DAYS
CORPORATE AREAS		
Annual Governance Statement	N/A	20
Anti-Fraud & Corruption	N/A	15
National Fraud Initiative	N/A	20
CHIEF EXECUTIVE		
Policy & Communications		
Performance Information	CRITICAL	15
Project Management	MAJOR	10
Events Management (Internal)	MAJOR	15
HR & OD		
Health & Safety	CRITICAL	15
Finance		
New Payroll System / Arrangements	N/A	10
CUSTOMER & ADVICE SERVICES		
Housing		
Integrated Home Improvement Service / Disabled Facilities Grants	MAJOR	15
ICT		
Outsourcing of network	CRITICAL	15
Customer		
Land Charges	MAJOR	10
Council Tax	CRITICAL	35
Non Domestic Rates	CRITICAL	
Housing Benefits	CRITICAL	
Debtors	CRITICAL	
PUBLIC PROTECTION, STREETSCENE & COMMUNITY		
Health, Environment and Neighbourhoods		
Safeguarding – Adults & Children	MAJOR	15
Counter Terrorism “Prevent” Duty	MAJOR	15
Streetscene & Leisure		
Stores	MAJOR	5
Fuel Consumption	MAJOR	5
Indoor Leisure Contract	MAJOR	10
Planning		
Section 106 Agreements	MAJOR	10
Community Infrastructure Levy	CRITICAL	10
Development Control	MAJOR	15
GENERAL AREAS		
Irregularities (Contingency)	N/A	10
Post Audit Reviews	N/A	10
Residual Work from 2015/16	N/A	15
Unplanned Reviews	N/A	10
Governance Committee	N/A	20
TOTAL		345

SHARED SERVICES	RISK	DAYS
SHARED FINANCIAL SERVICES		
Main Accounting System	CRITICAL	95
Creditors	CRITICAL	
Payroll	CRITICAL	
Treasury Management	CRITICAL	
Cash & Bank	CRITICAL	
GENERAL AREAS		
Joint Committee Accounts	N/A	5
Residual Work from 2015/16	N/A	15
Post Audit Reviews	N/A	10
Contingency	N/A	20
TOTAL		145

APPENDIX TWO – RISK RATINGS

CHORLEY COUNCIL	S	F	P	I	RY	RN	O	E	F	Score	Rating
CHIEF EXECUTIVE											
Policy & Communications											
Performance Information	●	●	●	●	●	●	●	●		8	Critical
Project Management	●	●	●	●		●	●			6	Major
Events Management (Internal)	●	●	●			●				4	Major
HR & OD											
Health & Safety		●	●	●	●	●	●	●		7	Critical
CUSTOMER & ADVICE SERVICES											
Housing											
Integrated Home Improvement Service / Disabled Facilities Grants		●	●	●	●	●			●	6	Major
ICT											
Outsourcing of network	●	●	●	●	●	●	●			7	Critical
Customer											
Land Charges		●		●	●	●				4	Major
Council Tax										7	Critical
Non Domestic Rates										7	Critical
Housing Benefits		●	●	●	●	●	●		●	7	Critical
Debtors										7	Critical
PUBLIC PROTECTION, STREETSCENE & COMMUNITY											
Health, Environment and Neighbourhoods											
Safeguarding – Adults & Children			●	●	●	●	●			5	Major
Counter Terrorism “Prevent” Duty			●	●	●	●	●			5	Major
Streetscene & Leisure											
Stores		●	●	●			●		●	5	Major
Fuel Consumption		●	●	●			●		●	5	Major
Indoor Leisure Contract	●	●	●			●	●			5	Major
Planning											
Section 106 Agreements		●	●	●	●	●		●		6	Major
Community Infrastructure Levy		●	●	●	●	●	●	●	●	8	Critical
Development Control			●	●	●	●	●	●		6	Major

SHARED SERVICES	S	F	P	I	RY	RN	O	E	F	Score	Rating
SHARED FINANCIAL SERVICES											
Main Accounting System		•	•	•	•	•	•		•	7	Critical
Creditors		•	•	•	•	•	•		•	7	Critical
Payroll		•	•	•	•	•	•		•	7	Critical
Treasury Management		•	•	•	•	•	•		•	7	Critical
Cash & Bank		•	•	•	•	•	•		•	7	Critical

RISK RATING KEY

S	STRATEGIC	Risks that relate to doing the wrong things
F	FINANCIAL	Risks that relate to losing monetary resources or incurring unacceptable liabilities
P	PEOPLE	Risks associated with service stakeholders
I	INFORMATION	Risks relating to loss or inaccuracy of data, systems, procedures or documents
RY	REGULATORY	Risks associated with current or potential changes in national or European law
RN	REPUTATION	Risks relating to the status or image of the service
O	OPERATIONAL / VOLUME	Risks that relate to doing the right things in the wrong way / Significant number of transactions
E	ENVIRONMENTAL	Risks that relate to environmental considerations, locally and further afield
F	FRAUD	Risks that consider the Council's exposure to the risk of fraud

Score	Rating
1 - 3	MINOR
4 - 6	MAJOR
7 - 9	CRITICAL