

GOVERNANCE COMMITTEE

WEDNESDAY, 22ND JUNE 2016, 2.30 PM
COMMITTEE ROOM 1, TOWN HALL, CHORLEY

AGENDA

APOLOGIES

1 **MINUTES**

(Pages 5 - 8)

To confirm the minutes of the Governance Committee meeting held on 9 March 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 **DRAFT STATEMENT OF ACCOUNTS 2015/16**

Report of the Chief Finance Officer (to follow)

4 **TREASURY MANAGEMENT ANNUAL REPORT 2015/16 - CHORLEY**

Report of the Chief Finance Officer (enclosed)

5 **GOVERNANCE COMMITTEE UPDATE - CHORLEY COUNCIL**

(Pages 9 - 20)

Report of External Auditor (enclosed)

6 **CHORLEY COUNCIL AUDIT PLAN - 2015/16**

(Pages 21 - 42)

Report of the External Auditor (enclosed)

7 **DRAFT ANNUAL GOVERNANCE STATEMENT**

(Pages 43 - 56)

Report of the Director of Policy and Governance (enclosed)

8	CHANGES TO ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITORS	(Pages 57 - 62)
	Report of the Head of Shared Assurance Services (enclosed)	
9	COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS	(Pages 63 - 78)
	Report of the Head of Shared Assurance Services (enclosed)	
10	INTERNAL AUDIT ANNUAL REPORT 2015/16	(Pages 79 - 88)
	Report of the Head of Shared Assurance Services (enclosed)	
11	STRATEGIC RISK UPDATE REPORT	(Pages 89 - 108)
	Report of the Chief Executive (enclosed)	
12	GOVERNANCE COMMITTEE SKILLS AND KNOWLEDGE REPORT	
	Report of the Chief Executive (to follow)	
13	RIPA APPLICATION UPDATE	
	The Monitoring Officer will present a verbal report at the meeting.	
14	EXCLUSION OF THE PUBLIC AND PRESS	
	To consider the exclusion of the press and public for the following items of business on the ground that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.	
	By Virtue of Paragraph 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information)	
	Condition:	
	Information is not exempt if it is required to be registered under-	
	The Companies Act 1985	
	The Friendly Societies Act 1974	
	The Friendly Societies Act 1992	
	The Industrial and Provident Societies Acts 1965 to 1978	
	The Building Societies Act 1986 (recorded in the public file of any building society, within the meaning of the Act)	
	The Charities Act 1993	
	Information is exempt to the extent that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.	
	Information is not exempt if it relates to proposed development for which the local planning authority may grant itself planning permission pursuant to Regulation 3 of the Town & Country Planning General Regulations 1992(a).	

15 **SECTION 106 AGREEMENT/COMMUNITY INFRASTRUCTURE LEVY
UPDATE**

(Pages 109 -
118)

Head of Shared Assurance Services (enclosed)

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

GARY HALL
CHIEF EXECUTIVE

Electronic agendas sent to Members of the Governance Committee Councillor Paul Leadbetter (Chair), Councillor Anthony Gee (Vice-Chair) and Councillors Jean Cronshaw, Alan Cullens, Gordon France, Margaret France, Danny Gee 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

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**MINUTES OF GOVERNANCE COMMITTEE****MEETING DATE** Wednesday, 9 March 2016**MEMBERS PRESENT:** Councillor Paul Leadbetter (Chair), Councillor Anthony Gee (Vice-Chair) and Councillors Gordon France, Margaret France, Margaret Lees, Matthew Lynch and Debra Platt**OFFICERS:** Gary Hall (Chief Executive), Chris Moister (Head of Governance and Property Services), Garry Barclay (Head of Shared Assurance Services), Dawn Highton (Principal Auditor) and Dianne Scambler (Democratic and Member Services Officer)**APOLOGIES:** Councillor Alan Cullens**OTHER MEMBERS:** Councillor Peter Ripley (Independent Member)**16.G.35 Minutes****RESOLVED – That the minutes of the Governance Committee meeting held on 13 January 2016 be held as a correct record for signing by the Chair.****16.G.36 Declarations of Any Interests**

There were no declarations of any interests.

16.G.37 Governance Committee Update for year ending 31 March 2016

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 Accounts Audit Plan was on track to be completed and would be presented to the next Governance Committee in June. Work had started with the Council's accounting Team to prepare for the early closedown at the end of May and the Statutory Finance Officer was confident that this would be achieved.

Following a recent consultation exercise by the National Audit Office on value for money arrangements, new guidance had now been published. The auditors are now required to reach their statutory conclusion based on an overall evaluation criteria following consideration of the following sub-criteria:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Member's attention was drawn to a report that had been produced by Grant Thornton Plc in relation to financial health checks and governance reviews. Most Councils project significant funding gaps over the next three to five years, with Councils in the North and Midlands reporting the largest funding gaps. This was the main reason why Chorley was looking to change its delivery model in a bid to sustain service delivery in the future.

RESOLVED – That the report be noted.

16.G.38 Certification work for Chorley Council for year ended 31 March 2015

The External auditors are required to certify certain claims and returns by the Council and the Committee was informed that they had certified one claim for the financial year 2014/15 relating to expenditure of £26.5m. The qualification letter to the Department of Works and Pensions (DWP), in relation to the extrapolated impact of the errors identified, that resulted in overpayment of benefits, indicating a total impact of £4,350, which represented 0.02% of the total return.

The Statutory Finance Officer expressed his disappointment and explained that this was the first year the Council had required a qualified claim. He assured Members that the matter had been fully investigated and that appropriate additional balances and checks had been implemented to make sure that this did not happen again. On a more positive note, the actual time taken to process claims had reduced to 8 days.

RESOLVED – That the report be noted.

16.G.39 Internal Audit Plan 2016/17

The Committee received a report of the Head of Shared Assurance Services that reminded Members of the respective roles of managers and Internal Audit to maintain a sound system of governance and internal control within the Council. The report also sought approval of the 2016/17 Internal Audit Plan.

The Service had taken a slightly different approach this year by consulting with all managers across the authority to ensure that all relevant process were included with the Plan and a risk rating has been applied to each of the reviews to be undertaken.

A full list of all the reviews to be undertaken were included in the report and Members were pleased to see that a full system review of Section 106 monies and Community Infrastructure Levy would be undertaken following the issues that had been identified this year. Members also discussed reasons why there would be reviews taking place in relation to the stores at Bengal Street and compliance with the Indoor Leisure Contract.

RESOLVED – That the report be needed and the Internal Audit Plan 2016/17 be approved.

16.G.40 RIPA Application Update

The Monitoring Officer reported that no RIPA applications made. It was also explained that training had taken place for all investigating and authorising officers on 1 February to keep abreast with any changes.

RESOLVED – That the report be noted.

16.G.41 Governance Committee skills and Knowledge Self-Assessment

Members were informed that all forms had now been completed and submitted to the Internal Audit team. Once evaluated, the results would help shape training needs and better delivery of reports to Members. The Committee discussed how simpler report writing could help Members to challenge more effectively on treasury management.

RESOLVED – That the information be noted.

Chair

Date

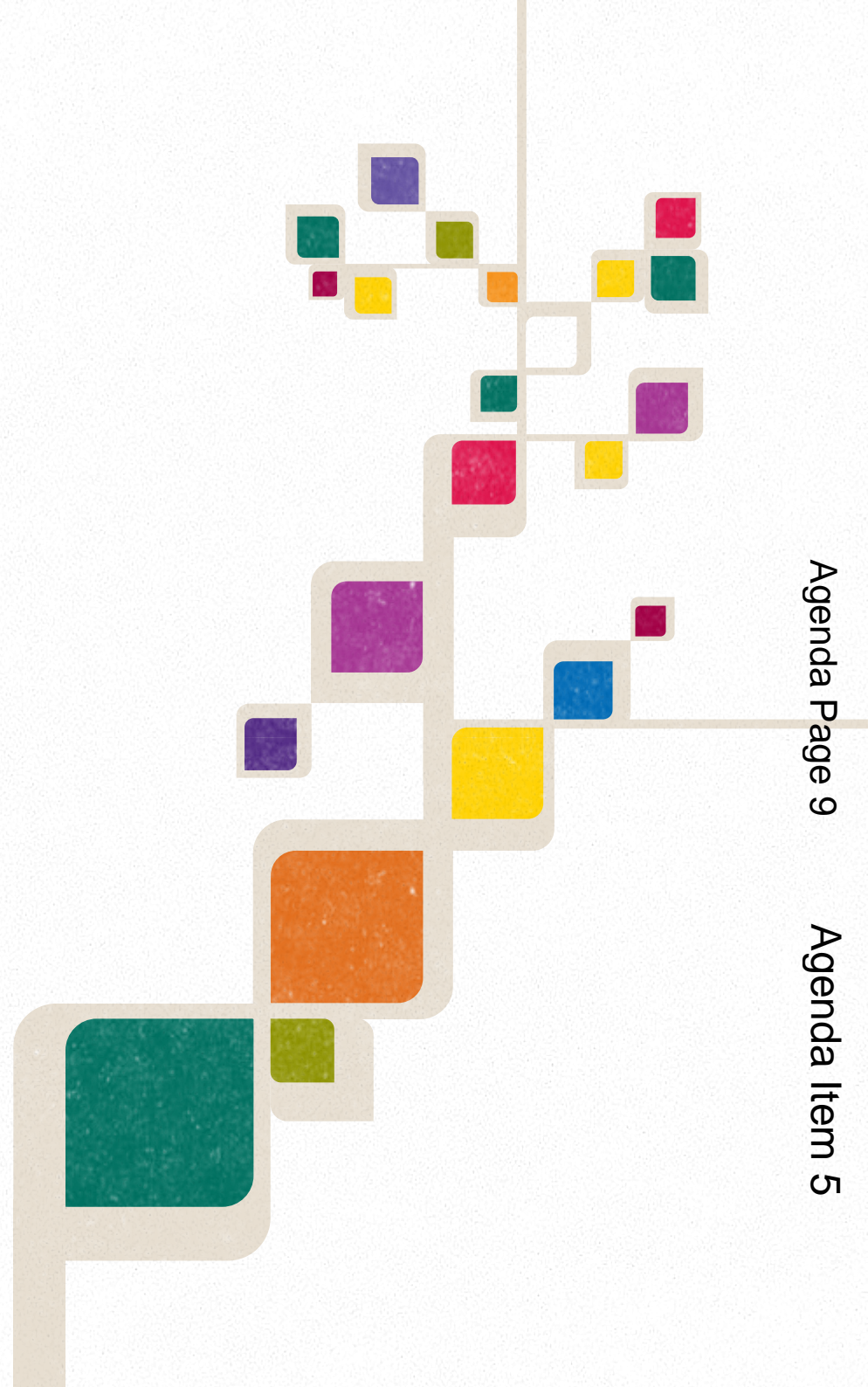
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Governance Committee
Progress and Update Report for
Chorley Council
Year ended 31 March 2016

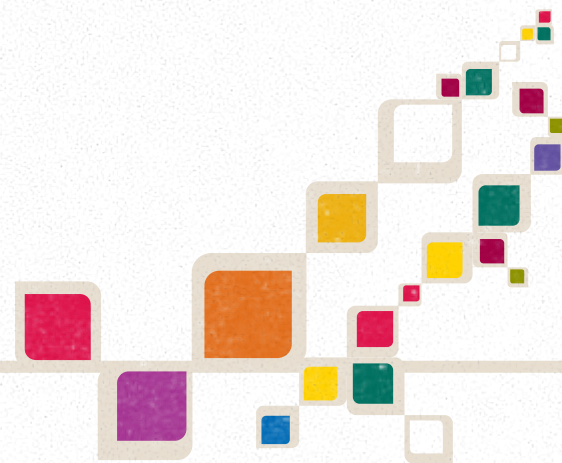
June 2016

Mark Heap
Director
T 0161 234 6375
E mark.r.heap@uk.gt.com

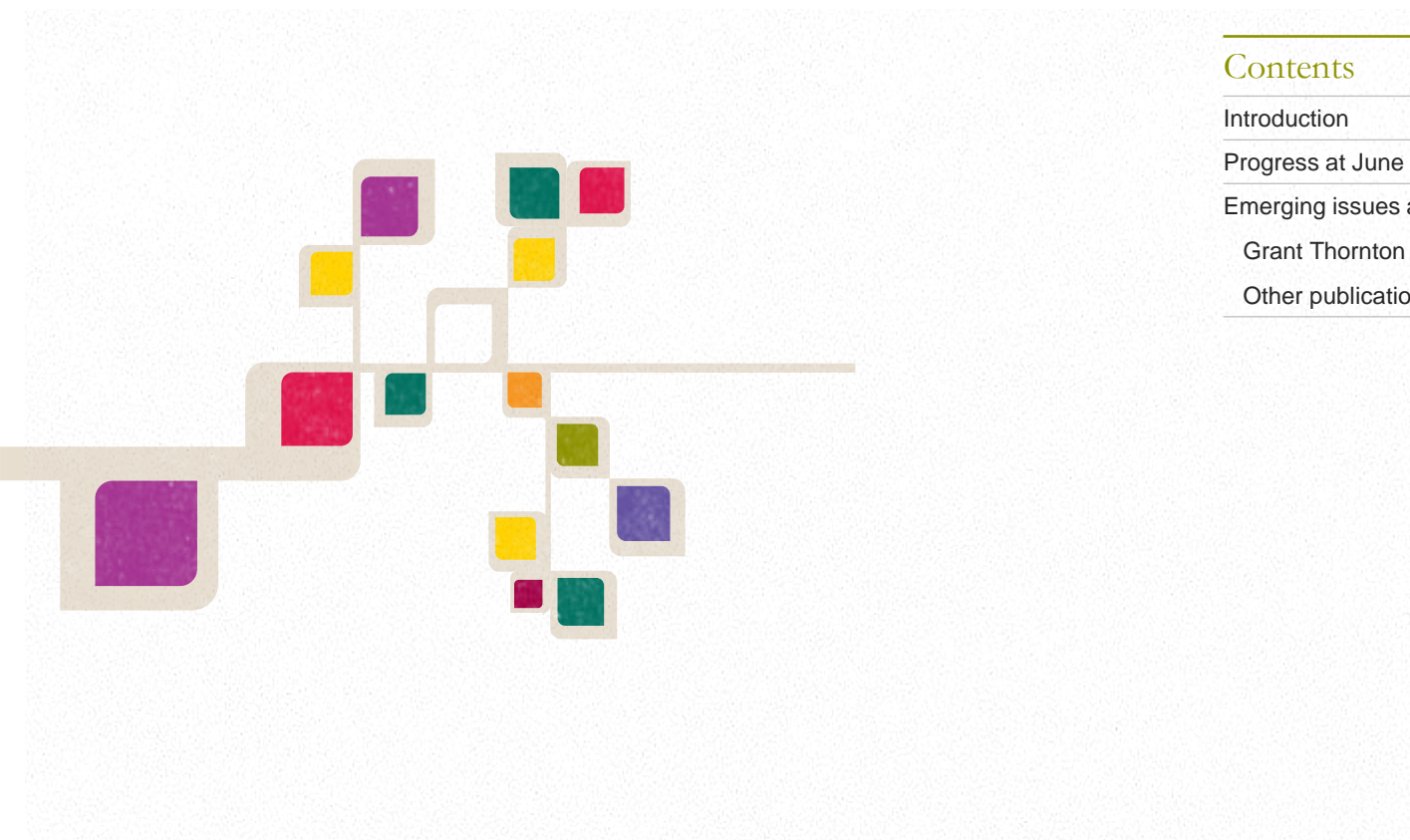
Gareth Winstanley
Manager
T 0161 234 6343
E gareth.j.winstanley@uk.gt.com



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 Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

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 including:

- Better Together: Building a successful joint venture company;
<http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>
- Knowing the Ropes – Audit Committee; Effectiveness Review ;
www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders
www.grantthornton.co.uk/en/insights/making-devolution-work/

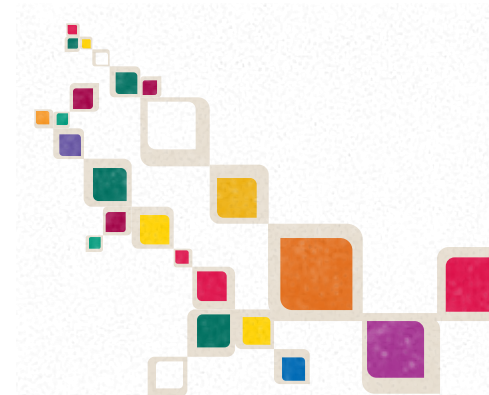
If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



Mark Heap
Engagement Lead
T 0161 234 6375
M 07880 456 204
E mark.r.heap@uk.gt.com



Gareth Winstanley
Engagement Manager
T 0161 234 6343
M 07880 456 211
E gareth.j.winstanley@uk.gt.com



Progress at June 2016



Progress against plan

On track



Opinion and VfM conclusion

Plan to give before deadline of 30 September 2016

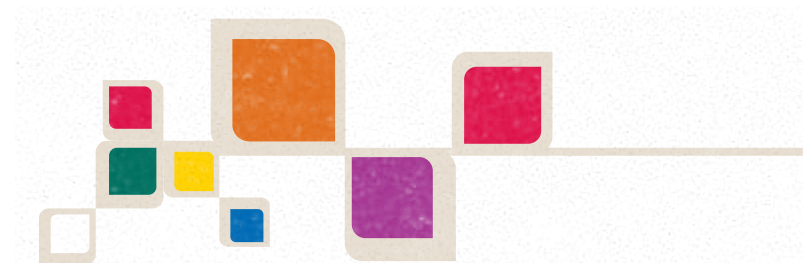


Outputs delivered

Fee letter, Progress Reports, delivered to plan

2015/16 work	Expected Date of Completion	Comments
<p>Fee Letter We issued the 'Planned fee letter for 2015/16' in April 2015.</p>	April 2015	We have also recently issued the fee letter for 2016/17.
<p>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 2015-16 financial statements.</p> <p>We also inform you of any subsequent changes to our audit approach.</p>	April 2016	We issued our audit plan to the Council in April 2016 and we will present it to the Governance Committee at its meeting in June.
<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 	March 2016	We completed our interim audit work during March 2016 and included our findings in our Audit Plan. This will be presented to the Governance Committee in June 2016.

Progress at June 2016



2015/16 work	Expected Date of Completion	Comments
<p>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 	<p>Planned for August 2016</p>	<p>We are planning to carry out our audit of the Council's in July and August and will report the findings within our Audit Findings Report to be presented at the September Governance Committee meeting.</p>
<p>Value for Money (VfM) conclusion The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources". The guidance confirmed the overall criterion as; "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". The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	<p>Planned for June - August 2016</p>	<p>We have reported the outcome of our initial risk assessment within our audit plan. We will report more detailed findings arising from our work as part of our Audit Findings Report which will be presented in September 2016.</p>

Better Together: Building a successful joint venture company

Local government is evolving as it looks for ways to protect front-line services. These changes are picking up pace as more councils introduce alternative delivery models to generate additional income and savings.

'Better together' is the next report in our series looking at alternative delivery models and focuses on the key areas to consider when deciding to set up a joint venture (JV), setting it up and making it successful.

JVs have been in use for many years in local government and remain a common means of delivering services differently. This report draws on our research across a range of JVs to provide inspiring ideas from those that have been a success and the lessons learnt from those that have encountered challenges.

Key findings from the report:

- JVs continue to be a viable option – Where they have been successful they have supported councils to improve service delivery, reduce costs, bring investment and expertise and generate income
- There is reason to be cautious – Our research found a number of JVs between public and private bodies had mixed success in achieving outcomes for councils
- There is a new breed of JVs between public sector bodies – These JVs can be more successful at working and staying together. There are an increasing number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture.

Our report, Better Together: Building a successful joint venture company, can be downloaded from our website: <http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>

Grant Thornton reports

Grant Thornton
An instinct for growth

ALTERNATIVE SERVICE DELIVERY MODELS IN LOCAL GOVERNMENT

Better together
Building a successful
joint venture company



Innovation in public financial management

Our research on international public financial management (PFM) shows it is evolving, from having a narrow focus on budgeting, towards a wider mandate as a key driver of policy and strategy across all levels of government, public services, state enterprises and public-private partnerships.

While the rate of this evolution differs by country, the research reveals a marked overall increase in innovation and highlights four major trends that, globally, will impact on the future of public financial management:

- 1.reform programs
- 2.infrastructure development, especially via public private partnerships (PPPs)
- 3.transparency, especially via digital channels
- 4.the impact of global economic uncertainty.

This report, published by Grant Thornton International in association with the International Consortium on Governmental Financial Management (ICGFM), draws on a recent survey of 278 PFM practitioners worldwide, as well as insights from experts at the ICGFM, the MIT Centre for Finance and Policy and Grant Thornton International.

Our report, Innovation in public financial management, can be downloaded from our website:

<http://www.grantthornton.co.uk/en/insights/innovation-in-public-financial-management/>

Grant Thornton reports



Innovation in public financial management
in an increasingly complex and uncertain global environment

Global financial management leaders survey 2015



Fighting Fraud and Corruption Locally

CIPFA publication

Fighting Fraud and Corruption Locally is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape .

This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- illustrates the financial benefits that can accrue from fighting fraud more effectively
- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- updates and builds upon Fighting Fraud Locally 2011 in the light of developments such as The Serious and Organised Crime Strategy and the first UK Anti-Corruption Plan
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

The strategy can be downloaded from

<http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>



Council Accounts

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.

The guide can be downloaded from:

<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.

National Audit Office (NAO)



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The Audit Plan for Chorley Council

Year ending 31 March 2016

April 2016

Mark Heap

Director

T 0161 234 6375

E mark.r.heap@uk.gt.com

Gareth Winstanley

Manager

T 0161 234 6343

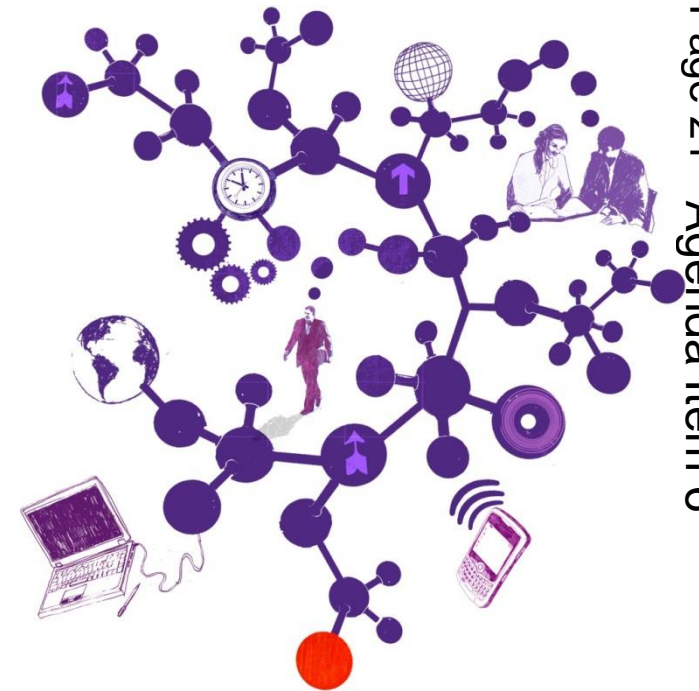
E gareth.j.winstanley@uk.gt.com

Richard Watkinson

Executive

T 0161 234 6345

E richard.watkinson@uk.gt.com



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Appendices

A. Action plan

Chorley Council
Town Hall
Market St
Chorley
PR7 1DP

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester M3 3EB

T +44 (0)161 953 6900
F +44 (0)161 953 6901
www.grant-thornton.co.uk

21st April 2016

Dear Members of the Governance Committee

Audit Plan for Chorley Council for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance (in the case of Chorley Council, the Governance Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely

Mark Heap
Engagement Lead

Chartered Accountants

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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Autumn Statement 2015 and financial health

- The Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% reduction in central government funding to local government over 5 years.
- Budget efficiency savings of approximately £1m were achieved in 2014/15, with £0.707m applied to the 2015/16 budget to achieve a balanced budget position, and a further £0.214m required for 2016/17.
- The council anticipates that it will have a budget gap of £3.372m by 2018/19.



2. Devolution

- The Autumn Statement 2015 also included proposals to devolve further powers to localities.
- The Council is actively involved in the devolution debate within Lancashire, and is actively pursuing innovation including the Commission on Public Services in Chorley and the proposals for a combined Lancashire Authority.



3. Economic Growth

- The Chancellor's statement included the opportunity for Councils to retain future business rates as a key element of making them more financially self sufficient.
- Chorley is well placed to benefit from these changes with the development of Buckshaw Village and with other significant growth plans in place.



Our response

- We will consider the Council's plans for addressing its financial position as part of our work to reach our VFM conclusion.

- We will consider your plans as part of the local devolution agenda as part of our work in reaching our VFM conclusion.
- We are able to provide support and challenge to your plans based on our knowledge of devolution elsewhere in the country.

- We will consider how the Council has reflected government announcements as part of its business planning process.
- We will share our knowledge of how other Councils are responding to these changes.

Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets within property, plant and equipment which are now required to be valued at fair value in line with IFRS 13 rather than the existing use value of the asset.
- Investment property assets are required to be carried at fair value as in previous years.
- There are a number of additional disclosure requirements of IFRS 13.



2. Corporate governance

- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Statement, which reports on your financial performance and use of resources in the year, and replaces the explanatory foreword.
- You are required to produce an Annual Governance Statement (AGS) as part of your financial statements.
- SOLACE and CIPFA recently concluded a consultation on proposed changes to the guidance relating to the Framework for Delivering Good Governance in Local Government.



3. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require councils to bring forward the approval and conclude the audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year.
- In 2014/15 the accounts were prepared and the audit completed in advance of the national deadlines.



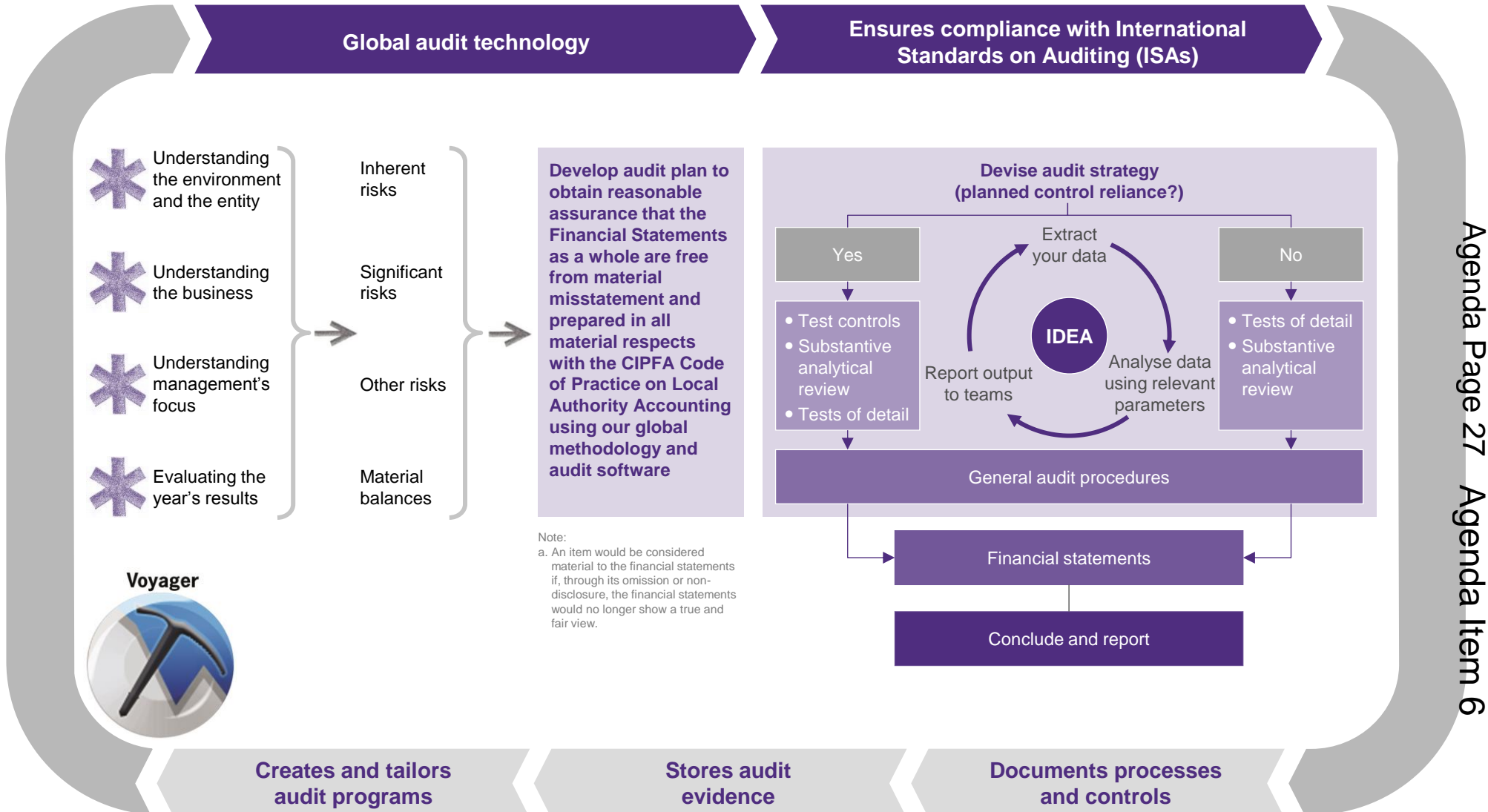
Our response

- We will keep the Council informed of changes to the financial reporting requirements for 2015/16 through ongoing discussions and invitations to our technical update workshops.
- We will discuss this with you at an early stage, including reviewing the basis of valuation of your surplus assets and investment property assets to ensure they are valued on the correct basis.
- We will review your draft financial statements to ensure you have complied with the disclosure requirements of IFRS 13.

- We will review your Narrative Statement to ensure it reflects the requirements of the CIPFA Code of Practice when this is updated, and make recommendations for improvement.
- We will review your arrangements for producing the AGS and consider whether it is consistent with our knowledge of the Council and the requirements of the revised CIPFA guidance which is due to be published in April 2016.

- We will work with you to identify areas of your accounts production where you can learn from good practice in other authorities.
- We aim to complete all substantive work in our audit of your financial statements by 31 August 2016 as a 'dry run'.

Our audit approach



Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £914k (being 1.8% of gross revenue expenditure). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

In the previous year, we determined materiality to be £1,052k (being 2% of gross revenue expenditure). The reason for the difference being the assessment of additional risk resulting from the errors identified in 2014/15 in respect of the income from s106 agreements.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £50,800.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where separate materiality levels are appropriate. We will discuss any errors identified with a view to requesting amendment but will consider the individual significance depending on the nature of the error.

Balance/transaction/disclosure	Explanation
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements.	Due to public interest in these disclosures and the statutory requirement for them to be made.
Disclosure of auditors' remuneration in notes to the statements.	Due to public interest in these disclosures and the statutory requirement for them to be made.
Related party disclosures.	Due to public interest in these disclosures and the statutory requirement for them to be made.

Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Chorley Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Chorley Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Understanding of the process, identification of controls and a walkthrough test conducted. • Testing of journal entries up to Month 9. <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management. • Testing of journal entries. • Review of unusual significant transactions.

Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Valuation of property, plant and equipment	The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate. <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of the competence, expertise and objectivity of any management experts used. • Review of management's processes and assumptions for changes and additions to the asset base. • Review of the instructions issued to valuation experts and the scope of their work. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Testing of additions and revaluations made during the year to ensure they are input correctly into the Council's asset register. • Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Valuation of pension fund net liability	The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	<p>Work planned:</p> <ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Other risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures"(ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated).	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Understanding of the process, identification of controls and a walkthrough test conducted. • Sample testing of non-pay operating expenditure up to month 9. <p>Further work planned:</p> <ul style="list-style-type: none"> • Sample testing of non-pay operating expenditure, manual accruals and year end creditors including review of invoices paid since the year end and goods received notes prior to year end. • Review of control account reconciliations.
Employee remuneration	Employee remuneration accrual understated (Remuneration expenses not correct).	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Understanding of the process, identification of controls and a walkthrough test conducted. • Sample testing of payroll calculations and contracts of employment up to Month 9. <p>Further work planned:</p> <ul style="list-style-type: none"> • Sample testing of payroll calculations and contracts of employment for the final three months of the year. • Analytical procedures to identify any discrepancies in monthly payrolls and consideration as to whether payroll expenditure is in line with our expectations based on supporting evidence. • Reconciliation of monthly payroll totals to the ledger.

Other risks identified (continued)

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will include:

- Property, plant & equipment
- Heritage assets
- Investment property
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Segmental reporting note
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Collection Fund and associated notes

Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

Value for Money

Background

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out below:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of good governance. Understanding and using appropriate cost and performance information to support informed decision making and performance management. Reliable and timely financial reporting that supports the delivery of strategic priorities. Managing risks effectively and maintaining a sound system of internal control.
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions. Managing assets effectively to support the delivery of strategic priorities. Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities. Commissioning services effectively to support the delivery of strategic priorities. Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have not identified any significant risks from our initial risk assessment. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements.</p> <p>We have also reviewed internal audit's reports on the Council's key financial systems to date.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit's reports has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • communication and enforcement of integrity and ethical values. • commitment to competence. • participation by those charged with governance. • management's philosophy and operating style. • organisational structure. • assignment of authority and responsibility. 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>

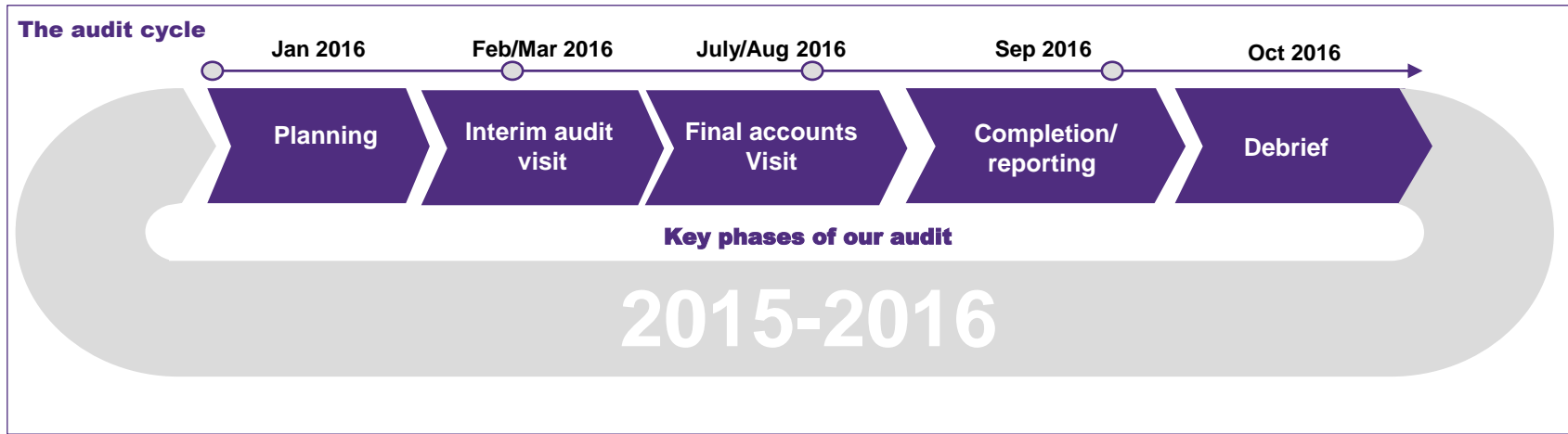
Results of interim audit work (continued)

	Work performed	Conclusion
Review of information technology controls	<p>Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p> <p>However, our audit recommendation from previous years (raised in our audit findings reports in 2013/14 and 2014/15), in relation to the independent review of monthly bank reconciliations had not been implemented at the time of our interim visit.</p> <p>Cash is the most vulnerable asset of any organisation. Bank reconciliations provide the necessary control mechanism to help protect this valuable resource through uncovering irregularities such as unauthorised bank withdrawals. It is essential that management review the bank reconciliation process to seek assurance that the correct controls are in place and that there are no unexplained differences.</p> <p>We recommended last year that a more formal review process be re-introduced.</p> <p>We are pleased to report that since our interim visit arrangements have now been put in place to address this weakness in the control process, as reflected in the management response to the action plan on page 21.</p>

Results of interim audit work (continued)

	Work performed	Conclusion
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.</p> <p>To date we have undertaken detailed testing on journal transactions recorded up to Month 9, by extracting 'unusual' entries for further review.</p>	<p>Our work to date has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p> <p>We will conduct further testing of journal entries for the remaining three months of the financial year as part of our final accounts testing.</p>
Early substantive testing	<p>Review of pro-forma financial statements</p> <p>The authority has prepared pro-forma financial statements which we have checked against the CIPFA Disclosure checklist for compliance with the required presentational issues.</p>	<p>Our work to date has identified no material disclosure omissions, but we will review the final accounts for any new developments as part of our routine year end substantive procedures.</p>

Key dates



Date	Activity
January 2016	Planning.
February/March 2016	Interim site visit.
June 2016	Presentation of audit plan to Governance Committee.
July/August 2016	Year end fieldwork.
August 2016	Audit findings clearance meeting with Head of Shared Financial Services.
September 2016	Report audit findings to Governance Committee.
September 2016	Sign financial statements opinion.

Fees and independence

Fees

	£
Council audit	45,255
Grant certification	6,798
Total audit fees (excluding VAT)	52,053

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Council and its activities, have not changed significantly.
- The Council will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Service	£
Audit related and non-audit services	Nil

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings Report will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>Review of the monthly bank reconciliation process</p> <p>The Council continues to have weaknesses in its processes for reviewing the monthly bank reconciliation process.</p> <p>A more formal review of the Council's bank reconciliation should be introduced, with clear evidence that a level of checking has been undertaken.</p>	Medium	<p>The monitoring of monthly Bank Reconciliations has been undertaken on an informal basis during 2015/16 which led to a weakness with regard to evidencing the completeness of this task.</p> <p>A formal review process was implemented in February 2016 and back dated to April 2015.</p> <p>Therefore all formal reviews of all Bank Reconciliations are recorded and therefore evidenced. There has been no weakness in the Bank Reconciliation itself that has been undertaken on a monthly basis with all reconciliations being accurate and correct.</p>	February 2016



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Report of	Meeting	Date
Director of Policy and Governance	Governance Committee	22 June 2016

ANNUAL GOVERNANCE STATEMENT

PURPOSE OF REPORT

- To present the draft Annual Governance Statement (AGS) to the Governance Committee for review and approval.

RECOMMENDATION(S)

- That the draft Annual Governance Statement appended to this report be approved and referred to the Executive Leader of the Council, the Chief Executive and Monitoring Officer for signature.

EXECUTIVE SUMMARY OF REPORT

- Pursuant to the Local Government Act 1999, the Authority are required to continuously review our system of Governance. As part of this review we publish an Annual Governance Statement (AGS) alongside the annual financial statements.
- CIPFA and SOLACE issue guidance on the form of the AGS and the self-assessment process that authorities must undertake to compile it.
- This draft AGS is presented to Members of this Committee to review and approve. It has been properly drafted in accordance with the guidance issued. The assessments which have informed the preparation of the AGS demonstrate that the Council have strong governance arrangements.
- When approved the AGS will be formerly signed off by the Leader of the Council and the Chief Executive. It will then be submitted for external audit alongside the 2015/16 financial statements.

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

8. Under the Accounts and Audit (Amendment) Regulations 2011 every Council is required to conduct an annual review of the effectiveness of its system of governance and publish an AGS each year alongside its financial statements.
9. CIPFA and SOLACE have issued a Framework and supporting guidance entitled "Delivering Good Governance in Local Government", under which councils are required to:
 - develop and maintain an up-to-date local code of governance consistent with certain "core principles" set out in the Framework;
 - review their existing governance arrangements against the Framework;
 - prepare a governance statement in order to report publicly on the extent to which the Council complies with its own code on an annual basis including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.
10. The CIPFA SOLACE Framework defines proper practice for the form and content of the AGS. The Framework requires the most senior officer (chief executive or equivalent) and the most senior member (leader or equivalent) to sign the AGS. They must be satisfied that the document is supported by reliable evidence and accurately reflects the Council's system of governance.
11. The AGS is a corporate document and should involve (in addition to the most senior officer and the most senior member as signatories) a variety of people charged with delivering governance, including:
 - the monitoring officer in meeting his/her statutory responsibilities;
 - the responsible financial officer who is responsible for the accounting control systems and the preparation of the statement of accounts;
 - directors assigned with the ownership of risks and the delivery of services;
 - members (e.g. through audit or scrutiny committees); and
 - others responsible for providing assurance (e.g. Internal & External Audit).
12. Thus as a corporate document, the AGS should be owned by all senior officers and members of the authority. A shared approach should be taken to compiling the AGS because any delegation to a single individual or section will dilute its significance and encourage other people to distance themselves from their proper responsibilities.
13. The guidance also states the need for a review body in the process such as the Governance Committee, which should be charged with critically reviewing the AGS and its supporting documentation. It is vital that this review body remains independent from the AGS compilation and is given real powers to make recommendations and ultimately changes to the process as it sees fit.

CORPORATE SELF-ASSESSMENT

14. A corporate group consisting of the following officers contributed to the self-assessment and draft AGS (please note this list retains the use of former job titles as it crossed over the implementation of a restructure):
 - Chief Executive (S151 Officer)
 - Head of Governance and Property(Monitoring Officer)
 - Head of Policy & Communications
 - Head of Human Resources & Organisational Development
 - Head of Shared Assurance Services
 - Principal Auditor
15. Section 5 of the Appendix discloses what the management group consider to be main opportunities to enhance the Council's governance arrangements taking account of

organisational changes and the corrective action implemented following last year's self-assessment. This view has been derived from the group's cumulative knowledge of the Council's system of governance and the views of independent assurance sources such as External Audit.

- 16. The role of the Chief Finance Officer and the role of the Head of Internal Audit has been assessed, to ensure that the roles are undertaken to professional standards and that the Council ensures that appropriate support arrangements are provided to enable them to fulfil their duties.

SERVICE ASSURANCE STATEMENTS

- 17. In addition to the corporate self-assessment, assurance has also been obtained from Heads of Service, as it is they who are responsible for implementing the respective governance systems and procedures within their service areas. Service Assurance Statements have been compiled which require Heads of Service to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any non-compliance issues.
- 18. Whilst the Service Assurance Statements will provide an assessment of individual service compliance, the completed Service Assurance Statements are primarily used to ascertain whether there are any common areas of concern across the organisation. If so, do these constitute significant governance issues. Again, any non-compliance issues emerging from the Service Assurance Statements have also been included in Section 5 of the AGS at the Appendix.

RESULTS OF ASSESSMENTS

- 19. The Council were found to have strong governance arrangements with few identified areas for improvement. The Committee are asked to consider section 3 of the AGS which details how the Council discharge their obligations.
- 20. Section 5 of the AGS identifies proposed areas for improvement. The section is headed "Significant Governance Issues" but this is a little misleading. These are issues that have been highlighted as needing improvement, the issues are not in themselves significant. They are areas which suggest partial compliance with requirements or where there is insufficient evidence to demonstrate full compliance. There are no areas of significant non-compliance by the Council.

IMPLICATIONS OF REPORT

- 21. 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

- 22. Contained in the body of the report.

COMMENTS OF THE MONITORING OFFICER

23. It should be noted that as this report is a point in time consideration it reflects job titles and the organisational structure in place for the year 2015/16, this is also true for the Annual Governance Statement itself. The delivery of the proposed actions in section 5 and the ongoing consideration of internal controls will be delivered by officers identified in the new structure.

CHRIS SINNOTT
DIRECTOR OF POLICY AND GOVERNANCE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Chris Moister	5160	16 June 2015	

CHORLEY COUNCIL**ANNUAL GOVERNANCE STATEMENT****1. Scope of responsibility**

Chorley Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. We are responsible for safeguarding public money, making sure it is properly accounted for and used economically, efficiently and effectively. Chorley Council also has a duty under the Local Government Act 1999 to take steps to constantly review and improve the way in which our functions are exercised. In undertaking this review we are obliged to have regard to a combination of economy, efficiency and effectiveness.

To do this, the Council have put in place arrangements for the governance of its affairs. These arrangements assess the effectiveness of the exercise of its functions, and consider how well we manage risk.

Chorley Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website. This statement explains how the Council has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which control and direct the Council. It provides for how we account to, engage with and lead the community. It enables us to monitor the achievement of our strategic objectives and to consider whether our objectives have led to the delivery of appropriate, cost effective services for that community.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised. This enables us to manage risk efficiently, effectively and economically.

The governance framework has been in place at Chorley Council for the year ended 31 March 2016 and up to the date of approval of the annual report and statement of accounts.

3. The governance framework

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

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

The Corporate Strategy sets out the Council's vision, priorities and strategic objectives. These are closely linked with the Public Service Reform Programme, which clearly articulates a shared vision for the Borough of Chorley.

Long term outcomes and interim performance targets have been established for each

strategic objective.

The Public Service Reform Programme and Corporate Strategy are published widely and are also available on the Council website and intranet. They form the basis for training provided within the Council's organisational development plan and Circle of Service event for managers of the council.

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

The Public Service Reform Programme and Corporate Strategy are regularly reviewed and the Council's vision and strategic objectives have been refined to reflect changing aspirations, both locally and nationally. As part of the annual consideration of the Corporate Strategy the Monitoring Officer and Section 151 Officer comment on the strategy in the report presented to Full Council providing an opportunity to consider implications on governance arrangements prior to any changes being adopted.

A performance management framework is in place for both the Council and the Public Service Reform Partnership, the latter providing clear arrangements for joint working, including specific projects.

Translating the vision into objectives for the authority and its partnerships

The Council have a robust process of consultation with residents and partner organisations on setting objectives based upon the council's vision. This process includes undertaking surveys of residents online and in hard copy, engagement events with the public and consultation with partners.

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

The Council's Corporate Strategy contain key projects that are geared towards achieving overall strategic objectives. They also contain challenging targets in respect of both performance indicators and local performance targets. Feedback is sought from customers and residents about the services they receive to ensure that the council meets expectations. This system is in turn supported by individual staff performance and development reviews to ensure that everyone understands their individual and service unit contribution to corporate goals.

The Council has an in-house performance management system from which reports are produced to ensure that trends in performance can be identified and corrective action introduced if appropriate. This is supported by a robust data quality control system, which ensures the accuracy of the reported information.

Performance against targets is monitored at officer and member levels, by Strategy Group, Executive Cabinet, Overview & Scrutiny and the Governance Committee.

The Council have also introduced a project management system on which all corporate projects must be placed which monitors progress against set milestones and co-ordinates best use of resources. This system has been enhanced and the role out of the new project management system will be implemented early in 2016/17.

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

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and

accountable to local people. It contains clear distinctions between what constitutes an executive and non-executive decision.

Decision-making within the Council's Policy and Budgetary Framework is facilitated through the Executive Cabinet and by individual Executive Members but is supported by a framework of Statutory and Overview & Scrutiny Committees.

Non Executive Functions are undertaken by Full Council or the relevant committee subject to any delegations. The Constitution also sets out the situations where senior officers of the Council can make decisions under delegated authority.

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

The Council's Constitution contains the formal Codes of Conduct that articulate the standards of ethical behaviour that are expected from members and officers. These incorporate procedures for the disclosure of personal interests and offers of gifts and hospitality. Both members and officers have been extensively briefed on personal conduct and disclosure requirements.

An automated system has been established on the Council's intranet for officer and member disclosures.

Reviewing the effectiveness of the authority's decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality

The Head of Governance arranges for the review of the Council Constitution on an annual basis. This includes a review of Standing Orders, Contract Procedure Rules, Financial Procedure Rules and Responsibilities for Functions.

The Council operates a call in process on all Executive Member decisions providing an opportunity to test the reasons for the decision before a Call in Panel of the Overview and Scrutiny Committee, and have adopted the new regulations governing the publication of council decisions.

All data collected by the council is required to have a procedure governing its collection and as part of the reporting system the data collector and authoriser are required to confirm the data has been checked.

Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

The standard member reporting procedure requires a consideration of risk for all significant decisions. This is also underpinned by a robust structure and system for identifying and evaluating all significant business risks at both the strategic and operational levels, the key elements of which are a Strategic Risk Register and service level risk assessments built into the business planning process.

As part of the Council's project management procedure Project Managers are required to complete a risk assessment.

Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

The Council maintains an anti-fraud and anti-corruption strategy and an anti-fraud action plan. This is reviewed annually and appropriate training is provided.

Ensuring effective management of change and transformation

Proposals for change and transformation are considered by the Executive and, particularly around staff changes the Council maintain HR policies and procedures to manage these changes.

Ensuring the authorities financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact

The CIPFA Statement has been considered and the financial management arrangements conform with the governance requirements. Any issues would be identified in the Councils annual audit.

Ensuring the authorities assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact

The CIPFA Statement has been considered and the Council is fully compliant in all aspects

Ensuring effective arrangements are in place for the discharge of the monitoring officer function

The Council's Monitoring Officer is the Head of Governance, an experienced solicitor with significant Local Government Experience.

All Council, Executive Cabinet and Executive Member decisions are considered by the Monitoring Officer and require a comment to be added prior to the decision being made.

Ensuring effective arrangements are in place for the discharge of the head of paid service function

The Council's head of paid service is appointed by Council decision and the role is prescribed by the Council's constitution.

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

The Council has appointed a Governance Committee whose terms of reference comply with the CIPFA guidelines for audit committees. These extend to monitoring the Council's governance, risk management and internal control and include reviewing the adequacy of the governance framework.

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

The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:

- Monitoring Officer;
- Section 151 Officer;
- Internal Audit;
- External Audit;
- Performance management system.

The Council has designated the Head of Governance and Property Services as Monitoring Officer, who plays a key role in ensuring compliance. After consulting with the Chief Executive, the Monitoring Officer will report to the full Council if he/she considers that any proposal, decision or

omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

The standard committee reporting procedure and template now requires the monitoring officer and statutory finance officer to consider legality and compliance in respect of all decisions made by members.

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

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

The Council also operates a formal Corporate Complaints Procedure, which has been widely publicised.

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

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

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

Strategies are in place in respect of communications, marketing and consultation and include Council administered forums and public meetings.

Enhancing the accountability for service delivery effectiveness of other public service providers

The Chief Executive has regular meetings with counterparts in public service providers. The Authority participate in three tier forum meetings with County and Parish Councils.

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

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

4. Review of effectiveness

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

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

Corporate Level Review

- A management group consisting of the following officers has been established to oversee the compilation of the Annual Governance Statement:
 - Chief Executive (S151 Officer)
 - Head of Governance and Property (Monitoring Officer)
 - Head of Policy & Communications
 - Head of Shared Assurance Services
- The group has conducted a detailed corporate level review of the Council's system of governance in accordance with the guidance provided by CIPFA / SOLACE.

Service Level Review

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

Monitoring Officer

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

Scrutiny Committee

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

Governance Committee

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

Standards Sub-Committee

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

Internal Audit

- Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Service. The report includes recommendations for improvements that are included within a Management Action Plan and require agreement or rejection by service managers. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.
- The Internal Audit Annual Report contains a statement / judgement on overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment). The Report identified the following areas as having Limited Control
 1. Community Infrastructure Levy and Section 106 monitoring arrangements – this review produced a number of management actions which are in the process of being implemented.
- The Annual Report in itself is a tool not just for reporting on internal control but improving them.
- The Internal Audit Team is subject to on-going inspection by the Council's external auditors, who place reliance on the work carried out by them.

External Audit

- The Council receive regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Authority, the executive, Governance Committee, Overview and Scrutiny Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant governance issues

In the previous year the following themes were identified as requiring action and improvement:

Theme	Agreed Improvement	Actions and Outcomes
1. Staff/Member Development	1.1 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.	Training has been delivered as required. Budget holders have regular (monthly) meetings with their accountant to discuss the current budget position and highlight any known future issues.
	1.2 To ensure that the Governance Committee comply with the latest CIPFA guidance on Audit Committees.	This has been implemented by ensuring reports presented to the Committee comply with the latest guidance.
2. Information Management	2.1 To ensure that there are clear document retention guidelines which are complied with by Services.	This has been undertaken in that Services are required to have their own document retention policies, however please see plan for next year.
	2.2 To ensure that the Council is fully compliant with the Data Protection Act and Freedom of Information requirements.	This is an ongoing obligation and whilst the Council's policies are robust there will be a programme of staff awareness building of these rules as part of the delivery of the new Information Security Framework.
	2.3 To ensure that an effective Disaster Recovery Plan is in place.	Confirmed
3. Equality & Diversity	3.1 To ensure full compliance with the Council's Equality Scheme.	Confirmed, consideration of Equality and Diversity issues is now a requirement on Council report templates.

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

Theme	Agreed Improvement	Comments
1. Staff/Member Development	1.1 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.	This is a carry over from the previous year and reflects in part the continuous need to provide training on this issue but recognises the organisational changes which have taken place following the Senior Management restructure.
2. Information Management	2.1 To ensure that there are clear document retention guidelines which are complied with by Services.	Whilst actions have been taken to deliver this improvement (see above) the Council are seeking to provide a different document management solution. We have been working with Microsoft to investigate the functionality of SharePoint and have concluded

		that the product doesn't fit with our future requirements. We have developed a program of work which will aim to replace SharePoint corporately and have already carried out a proof of concept for a MyShare solution (without SharePoint) and plan to develop this application during quarter 2 (into September) with a view to rolling out across the organisation over quarter 3 and 4.
3. Risk Management	3.1 To embed the Risk Management Framework at service level 3.2 Revise and re-issue Business Continuity Plans 3.3 Review and update all Health & Safety risk assessments	
4. Performance Management	4.1 To ensure compliance with the Data Quality Policy	
5. Value for Money / Transparency	5.1 To ensure that services can demonstrate VFM & compliance with the revised Transparency Code	
6. Corporate Policies	6.1 To ensure that all employees are aware of the requirements of corporate policies.	
7. Fraud & Corruption	7.1 To ensure compliance with the requirements contained within the Fighting Fraud & Corruption Locally – The local government counter fraud and corruption strategy and companion.	

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

Cllr. A. Bradley
Leader of the Council

G Hall
Chief Executive
& Section 151 Officer

C Moister
Monitoring Officer

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Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	22 nd June 2016

CHANGES TO ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITORS

PURPOSE OF REPORT

1. To update members on the work now in progress to establish arrangements for the appointment of the Council's external auditor beyond the 2017/18 financial year when the current contract with Grant Thornton comes to an end.

RECOMMENDATION

2. That members note the report.

EXECUTIVE SUMMARY OF REPORT

3. On 5th October 2015 the Department for Communities & Local Government (DCLG) notified its intention to extend the transitional arrangements, whereby external auditors are appointed by Public Sector Audit Appointments Limited under the contracts previously negotiated by the Audit Commission.
4. Whilst NHS and smaller local government bodies will move to a new external appointment regime on 1 April 2017, larger local government bodies including Chorley Council will remain on current appointment contracts until the completion of the 2017/18 audits. This means that new appointments will need to be made by 31st December 2017.
5. Therefore in 2017 the Council will need to make a choice between the various options for appointing its external auditor, which in summary are:
 - setting up an independent Auditor Appointment Panel
 - joining with other councils to set up a joint independent Auditor Appointment Panel
 - Using an existing independent panel of the authority (if a suitable panel already exists)
 - opting-in to a Sector Led Body (SLB) that will negotiate contracts and make the appointment on behalf of councils, removing the need to set up an independent Auditor Appointment Panel.
6. Although the Council has until December 2017 to make an appointment, in practical terms this means one of the above options will need to be in place by spring 2017 in order that the contract negotiation process can be carried out during 2017.
7. The Local Government Association (LGA) is strongly supportive of the SLB approach as it believes this offers best value to Councils by reducing set-up costs and having the potential to negotiate lowest fees and is therefore investigating the feasibility of establishing a SLB to deliver economic and efficient external arrangements across all authorities.

8. As the greatest economies of scale would come from the maximum number of councils acting collectively in opting-in to a SLB, in order to maximise their negotiating position the LGA recently contacted Councils to test their opinion as to whether they would be potentially interested in the SLB option.
9. To keep all the Council's options open at this stage the CEO has notified the LGA of the Council's potential support for the SLB approach.
10. **Members should note that they will receive a further report at a later stage to allow full consideration of the appointment options available and enable a decision to be made as to the Council's preferred approach.**

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

11. 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

12. The Local Audit and Accountability Act 2014 brought the Audit Commission to a close and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State for Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.
13. The Council's current external auditor is Grant Thornton, this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the LGA with delegated authority from the Secretary of State for Communities & Local Government.
14. Over recent years the Council has benefited from reduction in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from closure of the Audit Commission.
15. When the current transitional arrangements come to an end on 31 March 2018 the Council will be able to move to local appointment of the auditor. There are a number of routes by which this can be achieved, each with varying risks and opportunities.
16. Current fees are based on discounted rates offered by the firms in return for substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale.

17. The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council.
18. The registration process has not yet commenced and so the number of firms is not known but it is reasonable to expect that the list of eligible firms may include the top 10 or 12 firms in the country, including our current auditor. It is unlikely that small local independent firms will meet the eligibility criteria.

The Options for Local Appointment of External Auditors

19. There are three broad options open to the Council under the Local Audit and Accountability Act 2014 (the Act):

Option 1 - To make a stand-alone appointment

In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must be wholly or a majority independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor.

Advantages/benefits

- Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

Disadvantages/risks

- Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus on going expenses and allowances.
- The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.
- The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.

Option 2 - To set up a joint auditor panel / local joint procurement arrangement

The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council need to liaise with other local authorities to assess the appetite for such an arrangement.

Advantages/benefits

- The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.
- There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Disadvantages/risks

- The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used or possibly only one elected member representing each Council, depending on the constitution agreed with the other bodies involved.
- The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

Option 3 – To opt-in to a sector led body

In response to the consultation on the new arrangement the LGA successfully lobbied for Councils to be able to 'opt-in' to a SLB appointed by the Secretary of State under the Act. An SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

Advantages/benefits

- The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities.
- By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation.
- Any conflicts at individual authorities would be managed by the SLB who would have a number of contracted firms to call upon.
- The appointment process would not be ceded to locally appointed independent members. Instead a separate body set up to act in the collective interests of the 'opt-in' authorities. The LGA are considering setting up such a body utilising the knowledge and experience acquired through the setting up of the transitional arrangements.

Disadvantages/risks

- Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.
- In order for the SLB to be viable and to be placed in the strongest possible negotiating position the SLB will need Councils to indicate their intention to opt-in before final contract prices are known.

IMPLICATIONS OF REPORT

20. In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below.

<p>FINANCIAL</p>	<p>Current external fees levels are likely to increase when the current contracts end in 2018.</p> <p>The cost of establishing a local or joint Auditor Panel outlined in options 1 and 2 above will need to be estimated and included in the Council’s budget for 2016/17 and 2017/18. This will include the cost of recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying members fees and allowances.</p> <p>Opting-in to a national SLB provides maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel.</p>
<p>LEGAL</p>	<p>Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements;</p> <p>Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.</p> <p>Section 17 gives the Secretary of State the power to make regulations in relation to an ‘appointing person’ specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.</p>
<p>RISK</p>	<p>There is no immediate risk to the Council, however, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.</p> <p>Providing the LGA with a realistic assessment of our likely way forward will enable the LGA to invest in developing appropriate arrangements to support the Council.</p>

Garry Barclay
Head of Shared Assurance Services

There are no background papers to the report.

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Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	22nd June 2016

COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS

PURPOSE OF REPORT

1. The purpose of this report is to enable the Governance Committee, as “those charged with governance” and the Chief Executive on behalf of “management” to provide a range of assurances being sought by the external auditors – Grant Thornton as part of their audit of the Council’s 2015/16 accounts. The specific assurances being sought by Grant Thornton are set out in the two letters appended to this report.

RECOMMENDATION(S)

2. That, subject to consideration by the Committee, the Chairman of the Governance Committee and the Chief Executive be enabled to sign the assurance letters requested by Grant Thornton.

EXECUTIVE SUMMARY OF REPORT

3. Grant Thornton recently wrote to the Chief Executive (Appendix A) and the Chair of the Governance Committee (Appendix B) requesting information to assist with their audit of the Council’s 2015/16 financial statements. Given that the assurances requested were similar to the evidence being collated by Internal Audit to support the Annual Governance Statement (AGS) and in the interests of transparency, it was agreed with Grant Thornton that responses to their letters would be provided following consideration at this meeting.
4. Similar requests for assurance were made in respect of the 2014/15 financial statements and therefore the information provided in this year’s responses is in effect an update of the information which was supplied last year.
5. Having reviewed the specific information being sought, Internal Audit is satisfied that the Council’s arrangements are such that positive assurances can be given. Principally, this conclusion is arrived at through the:
 - comprehensive assurance and evidence gathered in compiling the AGS;
 - ongoing work of the Governance Committee and Internal Audit scrutinising and challenging the Council’s arrangements;
 - the work of the Chief Financial Officer and the financial arrangements and controls, including financial regulations, that have been adopted; and
 - the work of the Monitoring Officer and the Legal Team.
6. Further detailed information to support Internal Audit’s review and conclusions can be found in the tables at Appendices C and D.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

7. This report relates to the following Strategic Objectives:

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

IMPLICATIONS OF REPORT

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

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

COMMENTS OF THE STATUTORY FINANCE OFFICER

9. These are covered within the body of the report

COMMENTS OF THE MONITORING OFFICER

10. These are covered within the body of the report

GARRY BARCLAY
HEAD OF SHARED ASSURANCE SERVICES

Background Papers			
Document	Date	File	Place of Inspection
International Auditing Standards Annual Governance Statement Service Assurance Statements Evidence collated by Internal Audit to support responses.	2016	Shared Assurance Services	Civic Centre South Ribble BC
Report Author	Ext	Date	Doc ID
Dawn Highton Garry Barclay	5468 01772 625272	25 th April 2016	IAS report



Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester M3 3EB
T +44 (0)161 953 6900
F +44 (0)161 953 6901
www.grant-thornton.co.uk

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

Date 18th January 2016

Dear Gary

Chorley Borough Council Financial Statements for the year end 31 March 2016

As you will be aware each year, as your external auditor, we contact you to comply with International Auditing Standards to gain an understanding of the Council's management processes in place to prevent and detect fraud and to ensure compliance with law and regulations. International Auditing Standards also place certain obligations on auditors to document Management's view on some key areas affecting the financial statements.

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the enclosed schedule. In completing this task, you may wish to take into account the views of other directors where you think appropriate. The schedule relates to operational issues as well as the financial statements.

In addition to our request to management, we also will need to gain an understanding of how the Governance Committee maintains oversight of the above processes. I have also enclosed a copy of the letter that I intend to send to the Chair of the Governance Committee, for your information.

In preparing your responses, it would assist me, greatly, if you could include a summary of evidence you have relied on to inform your responses. We suggest that it may be useful to co-ordinate your response with the response from the Chair of the Governance Committee.

If you are in agreement, I would be grateful for your formal response by 31st May 2016, thus ensuring it covers the full twelve month period ended 31st March 2016.

Please feel free to contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Gareth Winstanley
Manager For Grant Thornton UK LLP

T 07880 456211



Cllr Paul Leadbetter
Governance Committee Chair
Chorley Borough Council
Town Hall
Market St
Chorley
PR7 1DP

Date: 18th January 2016

Dear Cllr Leadbetter

**Chorley Borough Council Financial Statements for the year end 31 March 2016 -
Understanding how the Governance Committee gains assurance from management**

As you will be aware each year as your external auditor we contact you to comply with International Auditing Standards to establish an understanding of how the Governance Committee gains assurance over management processes and arrangements.

I would be grateful, therefore, if you could write to me, in your role as the Governance Committee Chairman, with your responses to the following questions.

- 1 How does the Governance Committee oversee management's processes in relation to:
 - carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error
 - identifying and responding to the risk of breaches of internal control
 - identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)
 - communicating to employees its views on appropriate business practice and ethical behaviour (for example by updating, communicating and monitoring against the codes of conduct)?
 - how will the Governance Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?
- 2 Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.
- 3 How does the Governance Committee gain assurance that all relevant laws and regulations have been complied with by the Council?
- 4 Are you aware of any actual or potential litigation or claims that would affect the financial statements?

I enclose a separate schedule which explores these areas in more detail.

For information, we are also required to make enquiries of management and recently sent a letter and schedule of questions to the Chief Executive, (the schedule of questions is also enclosed). We suggest that it may be useful to co-ordinate your response with that of management .

If you are in agreement I would be grateful for your formal response by 31st May 2016, thus ensuring it covers the full twelve month period ended 31st March 2016.

Please feel free to contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Gareth Winstanley

Manager
For Grant Thornton UK LLP

T07880456211
E gareth.j.winstanley@uk.gt.com

Appendix C

22nd June 2016

Gareth Winstanley
Grant Thornton UK LLP
5 Hardman Square
Spinningfields
Manchester
M3 3EB

Dear Gareth

— **Audit of Chorley Borough Council Financial Statements – Compliance with International Auditing Standards**

With reference to your letter dated 18th January 2016 in respect of the above, I have now commissioned a review of the management processes that are in place within the Council which address the specific questions you raised.

These are contained in the attached table which was formally reported to and discussed by the Governance Committee on 22nd June 2016. I trust that this provides you with the necessary assurances that the Council's arrangements are effective and that there are no specific concerns or issues to report.

Yours sincerely

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

Responses from Management:

Auditor question	Response
What do you regard as the key events or issues that will have a significant impact on the financial statements for 2015/16 and which we should consider as part of our audit approach?	The BRR regime New arrangement in CIPFA Code of Practice for Fair Value.
Have you considered the appropriateness of the accounting policies adopted by the Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	Yes Treatment of depreciation calculation
Are you aware of any changes to the regulatory environment that may have a significant impact on the Authority's financial statements?	Role of Monitoring Officer and team of qualified lawyers to advise officers. System of internal audit, Governance Group, Governance Committee, Standing Orders and Financial Regulations. CIPFA Code of Conduct for finance officers.
How would you assess the quality of the Authority's internal control processes?	The Council has the following robust measures in place: Annual assessment against the Local code of Governance. Annually completed service assurance statements. Independent sources of assurance obtained from Services. Internal Audit compliant with the Public Sector Internal Audit Standards.
How would you assess the process for reviewing the effectiveness of internal control?	Highlighted areas for improvement included within the Annual Governance Statement. Annual and interim Internal Audit reports to the Governance Committee. Assess the process as sound. Self Assessment highlights trends in corporate approach and also specific areas for consideration in individual teams
How the Authority's risk management do processes link to financial reporting?	Key financial systems reviewed annually by Internal Audit. No significant control weaknesses identified.
How would you assess the Authority's arrangements for identifying and responding to the risk of fraud?	Internal Audit Risk Assessment updated over the course of the year Internal Audit Annual Plan agreed by Strategy Group and Governance Committee. Monitoring of management actions by Internal Audit and reporting to Governance Committee
What has been the outcome of these arrangements so far this year?	Internal Audit Annual Plan completed. Governance Committee fully informed.
What have you determined to be the classes of accounts, transactions and disclosures	Key financial systems reviewed annually by Internal Audit. No significant control weaknesses identified.

most at risk to fraud?	
Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	None for 2015-16
Have any reports been made under the Bribery Act?	None for 2015-16
As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Annual and interim reports Internal Audit reports to Governance Committee. External Audit assurance On-going monitoring and reporting of the Strategic Risk Register to Governance Committee.
As a management team, how do you communicate to employees your views on business practices and ethical behaviour?	Internal Audit has time dedicated to fraud awareness / anti-fraud and corruption in the annual plan. Local Code of Corporate Governance On-going promotion of core values Register of interests / gifts and hospitality Adherence to Codes of Conduct Ethical guidance / policies on the intranet Zero tolerance of fraud Compliance with corporate policies relating to Whistle Blowing, Anti-Fraud and Corruption and Anti - Money Laundering.
What are your policies and procedures for identifying, assessing and accounting for litigation and claims?	Very little litigation against this Council for uninsured risks. Any major issues would be reported to CEO / Section 151 Officer. High Value Claims (or risk of claims) reported to Governance Committee – evidence EIR litigation
Is there any use of financial instruments, including derivatives?	The Council discloses movements in financial instruments in the notes to the Statement of Accounts. The financial instruments include borrowing, investments, debtors and creditors, all relating to the normal course of business.
Are you aware of any significant transaction outside the normal course of business?	No
Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No
Are you aware of any guarantee contracts?	No
Are you aware of allegations of fraud, errors, or other irregularities during the period?	None for 2015-16
Are you aware of any instances of non-compliance with laws or regulations or is the Authority on notice of any such possible instances of non-compliance?	There have been issues of self reporting to ICO concerning potential breaches of obligations under DPA – no action taken by ICO. Disputed application of a Ministerial Statement concerning tariff based section 106 contributions for

	public open space and affordable housing. Council treated as a material planning consideration that could be overcome by local policies until second statement clarifying status of changes came into force. Also successful Legal Challenge by West Berks
Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities?	No
Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	Yes- estimate of BRR RV appeals & treatment of NHS charity status against NNDR – contingent liability.
Where the financial statements include amounts based on significant estimates, how have the accounting estimates been made, what is the nature of the data used, and the degree of estimate uncertainty inherent in the estimate?	Outstanding appeal data from VOA and forecasting outcomes on past trend data
What is the status of contingent assets and liabilities reported in prior years?	See above – NNDR charitable status claim by NHS
Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	Yes - The Council is a member of the MMI Scheme of Arrangement with a total amount of 105,646 of previous claims paid which is now potentially liable to “claw back” following the triggering of the Levy mechanism by the Scheme Administrator. The Council is also now responsible for the funding of 25% of any future claims that may arise and making payment of compensation direct to claimant solicitors.
Has the management team carried out an assessment of the going concern basis for preparing the financial statements? What was the outcome of that assessment?	Preparation of a 3 year budget projection included in the Medium Term Financial Strategy to identify any financial risks facing the council.
Can you provide details of those solicitors utilised by the Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Messers Forbes Solicitors provide some Employment Law Advice
Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Strategic advice was provided by Deloitte on Market Walk as an investment asset and going concern. Support Solution – future development of the Extra Care Scheme. Quarterbridge Project Management – expand and improve Flat Iron Market. EKOSGEN – Chorley Skills Framework.

	<p>Edge Hill University – Education in public service reform. Atkins Ltd – Work supporting partnership with LCFT. SQW Ltd – Functional Economic area.</p>
<p>Have any of the Authority service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?</p>	<p>None that we are aware of</p>
<p>How have any key issues identified in the prior year as internal control deficiencies been addressed?</p>	<p>Implementation of agreed management actions</p>

Appendix D

22nd June 2016

Gareth J Winstanley
Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

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Dear Gareth

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

Further to your letter dated 18th January 2016 in respect of the above, please find attached a table providing you with the necessary information that you seek in relation to the specific issues you raised to assist with planning for the 2015/16 financial statements audit:

The attachment was formally reported to and discussed by the Governance Committee on 22nd June 2016 and I trust that this provides you with the necessary assurances that the Council's arrangements are effective and that there are no specific concerns or issues to report.

Yours sincerely

Councillor P Leadbetter
Chair of the Governance Committee
Chorley Borough Council
Town Hall
Market Street
Chorley
PR7 1DP

Response from Governance Committee Chair

Issues	How the Governance Committee demonstrates that it secures the relevant assurances
<p>How does the Governance Committee oversee management's processes in relation to:</p> <ul style="list-style-type: none"> • Carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error • Identifying and responding to the risk of breaches of internal control • identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist) • Communicating to employees its views on appropriate business practice and ethical behavior (for example by updating, communicating and monitoring against the codes of conduct)? • How will the Governance Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements? 	<p>Receipt of Internal Audit’s Annual Report including audit opinion from the Head of Shared Assurance</p> <p>Receipt of assurance from Internal Audit following the review of key financial systems on an annual basis</p> <p>Receipt of Annual Governance Statement</p> <p>Promotion of core values</p> <p>Publicity of Codes of Conduct</p> <p>Approval of the Whistle-Blowing, Anti-Fraud & Corruption, Fraud Response and Anti-Money Laundering polices.</p>
<p>Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details</p>	<p>No - receipt of quarterly Internal Audit reports.</p> <p>NFI results</p> <p>Publicity of successful prosecutions by BEU</p>
<p>How does the Governance Committee gain assurance that all relevant laws and regulations have been complied with by the Council?</p>	<p>Receipt of regular reports from the Council’s Monitoring Officer.</p>

Fraud risk assessment

Auditor Question	Response
Has the Authority assessed the risk of material misstatement in the financial statements due to fraud?	Fraud risks are considered as part of the Council's risk management arrangements and high risk areas are considered in the Internal Audit risk assessment and Internal Audit plan.
What are the results of this process?	No significant weaknesses identified
What processes does the Authority have in place to identify and respond to risks of fraud?	Promotion of core values Publicity of Codes of Conduct Whistle-Blowing, Anti-Fraud & Corruption, Fraud Response and Anti-Money Laundering polices.
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	No - we do not currently have any concerns and / or suspect fraud. Fraud risks are considered as part of the Council's risk management arrangements and high risk areas are considered in the Internal Audit risk assessment and Internal Audit plan.
Are internal controls, including segregation of duties, in place and operating effectively?	The opinion of the Head of Shared Assurance in the 2015/2016 Internal Audit Annual Report is that the Council continues to operate within a strong internal control environment
If not, where are the risk areas and what mitigating actions have been taken?	All areas considered within the Internal Audit Risk Assessment
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	No
Are there any areas where there is a potential for misreporting?	No
How does the Authority exercise oversight over management's processes for identifying and responding to risks of fraud?	Internal Audit risk assessment Internal Audit annual plan agreed by Strategy Group and Governance Committee. Monitoring of management actions by Internal Audit and reporting to Governance Committee.
What arrangements are in place to report fraud issues and risks to the Authority?	Annual and interim reports Internal Audit reports to Governance

	<p>Committee.</p> <p>External Audit assurance</p> <p>On-going monitoring and reporting of the Strategic Risk Register to Governance Committee.</p>
<p>How does the Authority communicate and encourage ethical behaviour of its staff and contractors?</p>	<p>Internal Audit has time dedicated to fraud awareness / anti-fraud and corruption in the annual plan.</p> <p>Local Code of Corporate Governance</p> <p>On-going promotion of core values</p> <p>Register of interests / gifts and hospitality</p> <p>Adherence to Codes of Conduct</p> <p>Ethical guidance / policies on the need to know section of the intranet</p> <p>Zero tolerance of fraud</p> <p>Compliance with corporate policies relating to Whistle Blowing, Anti-Fraud and Corruption and Anti money laundering</p>
<p>How do you encourage staff to report their concerns about fraud?</p> <p>Have any significant issues been reported?</p>	<p>Governance documents including the Whistleblowing Policy, Anti-Fraud and Corruption Strategy and Fraud Response Plan are all available on the intranet.</p>
<p>Are you aware of any related party relationships or transactions that could give rise to risks of fraud?</p>	<p>We do checks every year as part of closure of accounts process and run extracts from CRs to test.</p>
<p>Are you aware of any instances of actual, suspected or alleged, fraud, either within the Trust as a whole or within specific departments since 1 April 2015?</p>	<p>No</p>

Law and regulation

Auditor Question	Response
<p>What arrangements does the Authority have in place to prevent and detect non-compliance with laws and regulations?</p>	<p>Role of Monitoring Officer and team of qualified lawyers to advise officers.</p> <p>System of internal audit, Governance Group, Governance Committee, Standing Orders and Financial Regulations.</p>
<p>How does management gain assurance that all relevant laws and regulations have been complied with?</p>	<p>Annual and interim reports Internal Audit reports to Governance Committee.</p> <p>External Audit assurance</p>
<p>How is the Authority provided with assurance that</p>	<p>Receipt of Internal Audit's Annual</p>

all relevant laws and regulations have been complied with?	Report including audit opinion from the Head of Shared Assurance Annual Governance Statement
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2014?	None for 2015-16
What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?	Very little litigation against this Council for uninsured risks. Any major issues would be reported to CEO / Section 151 Officer
Is there any actual or potential litigation or claims that would affect the financial statements?	This matter has now settled by negotiation. The claimant's costs have yet to be agreed but this is being resolved as part of the group action. There remains an expectation of receiving these monies from central government.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	None for 2015-16

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Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	22nd June 2016

INTERNAL AUDIT ANNUAL REPORT 2015/16

PURPOSES OF REPORT

1. To summarise the work undertaken by the Internal Audit Service during the 2015/16 financial year;
2. To give an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control;
3. To give an appraisal of the Internal Audit Service's performance, including a review of the Council's internal control system.

RECOMMENDATION

4. That the Internal Audit Annual Report for 2015/16 be noted.

EXECUTIVE SUMMARY OF REPORT

5. The report demonstrates the successful delivery of the 2015/16 Internal Audit programme of work; the results of which provide members with assurance that the Council's governance, risk and control environment continues to be effective.

Confidential report	Yes	<u>No</u>
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CORPORATE PRIORITIES

6. 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

INTERNAL AUDIT PLANS

7. **Appendix 1** to this report provides a detailed account of the individual audits undertaken in respect of Chorley Council and Shared Services during the 2015/16 financial year. It shows the approach taken, the controls assurance rating that was awarded and a summary of any actions that have been agreed with management to further improve controls within all the areas audited.
8. The following tables also provide an analysis of the planned and actual auditor days used during the year together with an explanation of any variations that have occurred.

Chorley Council

	Planned (Days)	Actual (Days)	Variance (Days)
Audits undertaken	255	292	37
Audits not undertaken			
• Payroll Project	10	0	(10)
• Partnerships	15	0	(15)
Contingency	65	95	30
TOTALS	345	387	42

9. The variation between the planned and actual time spent on the audits undertaken & contingency is due to a substantive investigation relating to Community Infrastructure Levy / Section 106.
10. With regard to audits not undertaken, the start of the Payroll Project has been postponed and this will now be undertaken as part of the 2017/18 Internal Audit Plan. The review of Partnerships was deferred due to an impending update of the Corporate Partnerships Framework.

Shared Services

	Planned (Days)	Actual (Days)	Variance (Days)
Audits undertaken	115	98	(17)
Audits not undertaken	0	0	0
Contingency	50	36	(14)
TOTALS	165	134	(31)

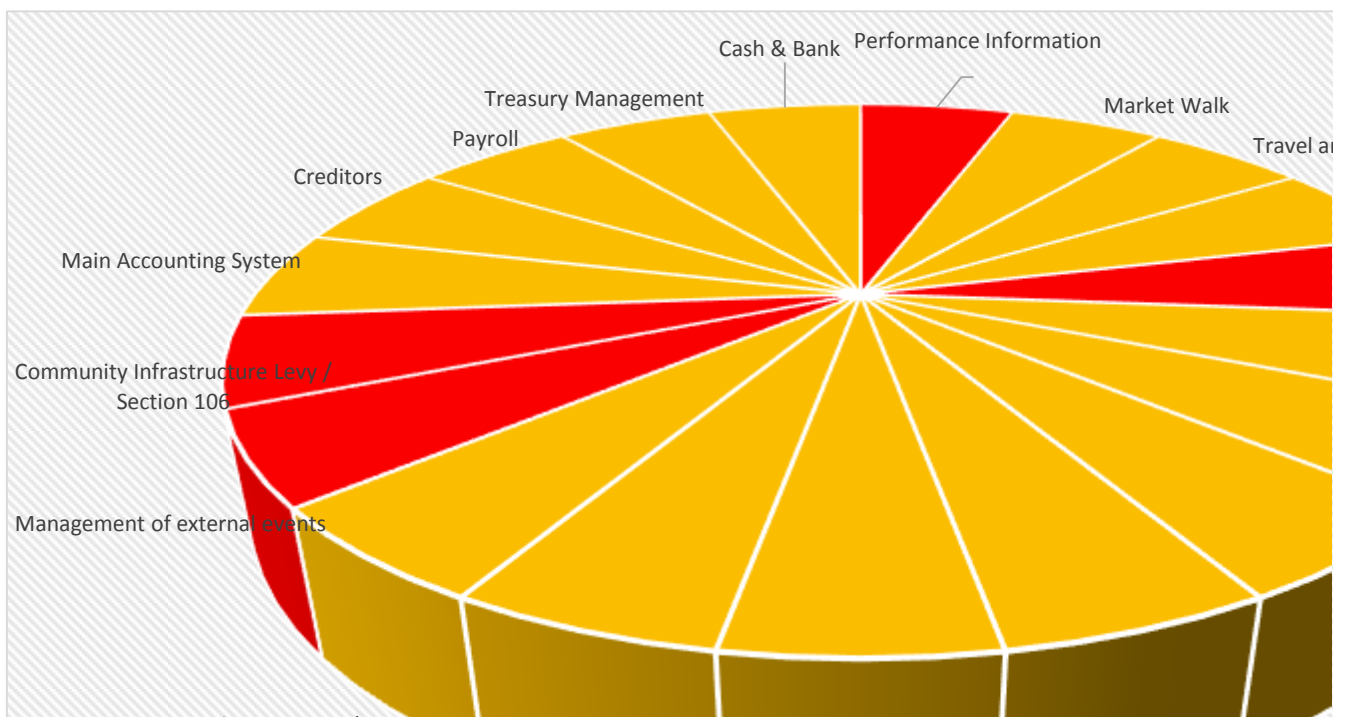
11. The reviews of the key financial systems were in the main, completed with the remaining work finalised in quarter one of 2016/17.
12. Planned days for both audits undertaken and contingency have only been partly utilized resulting in a net surplus of 31 days in total. This surplus offsets the excess time on the Chorley Plan. The Shared Services Agreement makes provision for such service variations and the reciprocal nature of this arrangement is one of the strengths underpinning the partnership between Chorley and South Ribble Councils.

INTERNAL AUDIT OPINION

- 13. Public Sector Internal Audit Standards (PSIAS) require the “Head of Internal Audit” to give an opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control. This responsibility falls on the Head of Shared Assurance Services on behalf of Chorley Council.
- 14. Members will recall that individual audits are awarded a separate controls assurance rating from the following matrix:

Control Rating	Limited	4	7	9
	Adequate	2	5	8
	Substantial	1	3	6
		Minor	Major	Critical
		Risk Rating		

- 15. Risk ratings (minor / major / critical) are inherent to each system/area audited and they reflect the impact that they would have on the Council in financial and/or reputational terms if they were to fail.
- 16. Control ratings (substantial / adequate / limited) are awarded after the audit is completed to reflect the level of internal control that is present in each system/area audited.
- 17. During 2015/16 a total of 19 systems/areas were reviewed, 15 of which were critical and 4 of which were major systems. The chart below shows the controls assurance ratings that were awarded for the individual audits undertaken during the year:



- 18. The vast majority were awarded an amber assurance rating. Of the 15 critical systems reviewed during 2015/16, 13 received a score of 6 (substantial assurance). Furthermore of

the red controls assurance ratings awarded only one audit, Community Infrastructure Levy / Section 106, received a score of 9 (limited assurance). **Therefore when the individual ratings are aggregated it is our conclusion that the Council continues to operate within a strong control environment.**

19. Members are also reminded that the control ratings shown relate to the point in time when the respective audit reports were issued during course of the year. They therefore represent a historical rather than a current judgement as managers have been charged with implementing corrective actions to address the control issues raised, which in turn has been supported by a programme of follow-up reviews by the Internal Audit Service.

INTERNAL AUDIT PERFORMANCE

Key Performance Indicators

20. The table at **Appendix 2** summarises the key performance data for the Internal Audit Service during 2015/16 and demonstrates that the majority of performance indicators have either been achieved or exceeded with explanations for any variances provided above.

ISO 9001:2008

21. In January Internal Audit retained ISO 9001 accreditation for its Quality Assurance System which is continuously updated to reflect any changes in working practices. Retention of the standard demonstrates that the Audit Team is continuing to seek improved and more efficient working practices to maintain a high quality service.

REVIEW OF INTERNAL CONTROL SYSTEM

22. The Accounts and Audit Regulations 2015 require the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account Public Sector Internal Audit Standards (PSIAS) or guidance”.
23. We have therefore undertaken a self-assessment of our compliance with the PSIAS and have concluded that the Service meets all aspects of the Standards. Members will recall that the Council needs to arrange an independent external assessment at least once every 5 years and that it was agreed that we would participate with the Lancashire District Councils Audit Group in undertaking reciprocal peer reviews. Over the next 12 months we will be participating in a review of the Internal Audit Services of Fylde Council and Preston City Council. It is planned that the above 2 Councils will carry out the review of our compliance with the Standards in March 2018.
24. The regulations also require that “an authority must conduct a review of the effectiveness of the system of internal control”. In addition to preparing an annual governance statement, other independent sources of assurance obtained by the Council are also considered.
25. Directors and Heads of Service have therefore provided examples of these which include: QUEST accreditation for Sport and Play Service; Museums accreditation for Astley Hall; Investors in People accreditation; Public Services Network approval; independent inspection of council vehicles by the Freight Transport Association; Electoral Commission performance standards for electoral registrations and delivery of elections and a qualified SFEDI Business Advisor in Economic Development (Small Firms Enterprise Development Initiative).

26. This evidence further supports our overall opinion that the Council continues to operate within a strong control environment.

IMPLICATIONS OF THE REPORT

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

GARRY BARCLAY
HEAD OF SHARED ASSURANCE SERVICES

Background Papers			
Document	Date	File	Place of Inspection
Internal Audit Plan Risk Assessment	2015/16	Shared Assurance Services	Civic Centre Leyland

Report Authors	Ext	Date	Doc ID
Garry Barclay Dawn Highton	(01772) 625272 (01257) 515468	June 2016	Annual Report.doc

APPENDIX 1 - SUMMARY OF INTERNAL AUDIT WORK 2015/16

AUDITS UNDERTAKEN	AUDIT APPROACH	CONTROLS RATING	KEY CONTROL ISSUES
CHORLEY COUNCIL			
Annual Governance Statement	To co-ordinate a review of the system of governance and highlight any improvement actions to include in the Annual Governance Statement.	Not applicable	Proactive input was provided rather than an audit review. A gap analysis was produced showing areas of improvement which were summarised in Section 5 of the Annual Governance Statement 2015.
Anti-Fraud & Corruption	To provide generic fraud awareness training and issue information bulletins highlighting specific fraud risks.	Not applicable	Proactive input provided rather than an audit / review
National Fraud Initiative (NFI)	To co-ordinate the Council's input to the 2015/16 Single Person Discount / Electoral Roll data matching exercise and to monitor the results from the 2014/15 main exercise.	Not applicable	The 2014/15 exercise has to date identified £34,774 whereby benefits had been incorrectly claimed and is now in the process of being repaid to the Council. The results for the Single Person Discount / Electoral Roll exercise identified a number of matches which are currently being investigated further.
Performance Information.	To undertake a review to ensure compliance with the Council's Data Quality Policy by Streetscene, Parks & Open Spaces.	Red (8)	Our work has identified that the methodology for collating and calculating some of the performance indicators requires improving and that robust arrangements for the oversight/checking of performance data needs to be introduced.
Market Walk	The aim of this review was to identify and review the adequacy of arrangements in place to manage and maintain Market Walk.	Amber (6)	Our work established that although improvements are needed for health and safety processes, there are robust arrangements in place for lease negotiation, debt management, maintenance and performance reporting.
Travel & Expenses	The purposes of this review were to seek assurance that the system is operating as intended, is subject to appropriate management checks and there is compliance with legislation and statutory requirements.	Amber (5)	Our work identified that whilst there are sound arrangements in place for the processing and administering of travel and subsistence claims, a number of areas for improvement were identified including: <ul style="list-style-type: none"> • The review and update of the Travel and Subsistence Policy; • The Council is not meeting the insurers' expectations regarding vehicle and drivers checks; • The Council is not fully complying with HMRC requirements for employees whose employment has ceased.

Contract Procedure Rules	The overarching aim of the review was to ascertain levels of compliance with the Council's Contract Procedure Rules.	Amber (6)	No control issues were identified. The Council's arrangements were found to be robust.
Information Security / Penetration Testing	The review will assess the effectiveness of the control framework established by ICT Services to mitigate identified IT vulnerabilities documented in the latest PSN health check exercise.	Red (8)	Since the last Penetration Testing report was received in December 2015 steps have been taken to introduce a more pro-active approach to manage the critical and high risks identified. In addition a PSN Information Assurance (IA) Conditions Compliance audit has recently been carried out with re-certification being received in March 2016. Our work however has highlighted some improvements to be made including the retention of documented evidence to support that the risk areas have been addressed and internal validation checks to confirm that actions taken are sufficient.
ICT Continuity Management	This work considered the effectiveness of the council's ICT service continuity management arrangements in ensuring information and communications technology and services are resilient and can be recovered to predetermined levels within agreed timescales.		The fieldwork for this review is complete and the report is currently being discussed with the ICT Manager. An update will be provided to the Committee in our first progress report.
Single Front Office Project	To participate in the Project Team for the implementation of the Single Front Office.	Not applicable	Project team involvement to ensure that the Council continues to provide a professional service to customers. Our role included reviewing policies and procedures to ensure they are robust and fit for purpose and that officers receive comprehensive training and on-going mentoring.
Housing Benefit, Council Tax and Non-Domestic Rates (NDR) & Sundry Debtors	To verify that controls in place in respect of the Housing Benefit, Council Tax and NDR systems are adequate and operating effectively.	Amber (6)	No key control issues were identified.
Empty Homes		Not applicable	We supported the newly recruited Empty Property Officer with the Empty Home Policy and record management.
Licensing – Administration & Enforcement	The aim of this review was to seek assurance that the key systems for the administration and processing of licence applications and enforcement activity are adequate and operating effectively.	Amber (5)	The Licensing Service has been going through a transitional period due to Transactional Services taking over the administration function and the introduction of new processes in April 2015. Officers are aware of their roles and responsibilities within the Licensing function and of statutory requirements. However, our review has highlighted some areas where arrangements could be strengthened.

Plant & Equipment	The CEO commissioned this review to ensure that issues identified during the 2014-15 review have been implemented and that no residual control weaknesses exist within the system.	Amber (6)	Our work confirmed that improvements had been made to the system and that robust arrangements are now in place.
Tree Maintenance & Inspection regime	The aim of this review was to seek assurance that there are robust arrangements in place which minimise the risk of trees being the cause of personal injury, property and vehicle damage whilst continuing to maintain stocks to preserve their amenity, conservation and environmental value.	Amber (5)	<p>Since the last review was undertaken substantive progress has been made including the:</p> <ul style="list-style-type: none"> • Development and implementation of a co-ordinated approach to tree inspections which encompasses all areas of the borough; • Inspections of high risk tree during 2015; • Training of all officers carrying out inspection duties to ensure that they are carried out to a recognised standard. <p>However there are some residual areas where controls could be strengthened, including:</p> <ul style="list-style-type: none"> • Documenting the risk assessment assigning areas as high, medium and low risk. • Improving the inspections process and cross referencing remedial works to inspections forms / purchase orders / in house work orders to provide a clear audit trail. • Complying with the Council's Financial Procedure Rules when appointing and assigning work to contractors.
The Management of Externally Organised Events	The aim of the audit was to identify and review the adequacy of the governance arrangements in place to manage the risks associated with events organised by third parties on Council owned land.	Red (7)	<p>Although there is some evidence of good practice, Officers are very committed to ensuring that events take place in a safe environment and no incidents arose that resulted in a claim against the Council, our review has highlighted a significant number of control improvements, including;</p> <ul style="list-style-type: none"> • Improving organiser's information and guidance; • Developing procedural guidance for officers; • Developing an events database to ensure that all required documentation, consultations and process have been appropriately actioned prior to approval; • Introducing a robust approval mechanism for all events; • Ensuring that legal agreements are in place for all events.
Community Infrastructure Levy	See separate agenda item	Red (9)	

SHARED SERVICES			
Main Accounting	To review the adequacy of the controls in a core financial system	Amber (6)	No key control issues were identified
Creditors	To review the adequacy of the controls in a core financial system	Amber (6)	No key control issues were identified
Payroll	To review the adequacy of the controls in a core financial system	Amber (6)	No key control issues were identified
Treasury Management	To review the adequacy of the controls in a core financial system	Amber (6)	No key control issues were identified
Cash & Bank	To review the adequacy of the controls in a core financial system	Amber (6)	No key control issues were identified
Insurance	To review the systems and procedures in place in respect of South Ribble Borough Council and Chorley Council's insurance provision,	Amber (6)	No key control issues were identified
Post Audit Reviews	To ensure that agreed management actions have taken place to address the control issues identified in Internal Audit reports.	Not applicable	All relevant management actions implemented in a timely manner

INTERNAL AUDIT PERFORMANCE INDICATORS 2015-16

	Indicator	Audit Plan	Target	Actual	Comments
1	% of planned time used	SS	90%	81%	Below target due to unused contingency
		CBC	90%	112%	Target exceeded
2	% audit plan completed	SS	100%	100%	Target achieved
		CBC	100%	93%	Below target / 1 review deferred
3	% management actions agreed	SS	98%	100%	Target exceeded
		CBC	98%	100%	Target exceeded
4	% overall customer satisfaction rating (assignment level)	SS	90%	100%	Target exceeded
		CBC	90%	97%	Target exceeded

SS = Shared Services
 CBC = Chorley



Report of	Meeting	Date
Chief Executive	Governance Committee	22 nd June 2016

STRATEGIC RISK UPDATE REPORT

PURPOSE OF REPORT

1. The Strategic Risk Register (SRR) 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 therefore need to be managed strategically.
2. This report provides members with an updated SRR which includes 15 strategic risks to the Council, including actions in progress as well as new actions planned to further mitigate identified risks.

RECOMMENDATION(S)

3. That members note the strategic risks, actions in progress and actions planned to further mitigate the strategic risks as set out in Appendix 1.

EXECUTIVE SUMMARY OF REPORT

4. The Council does not exist in a vacuum and the political, economic and financial environment in which it operates is constantly changing. The SRR is therefore a live document and needs to be updated to reflect any new or emerging strategic risks facing the Council.
5. This report contains the latest revision to the SRR for members' information and comment.
6. The risk register is continually reviewed and currently, the majority of risk categories remain stable with five of these identified as 'high risk', six 'medium risk' and four 'low risk'. One risk has been increased to the highest level to reflect the impact of recent budget cuts to partner services. One risk has reduced following successful work to manage high profile consultations that have now progressed to delivery stages.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

7. This report relates to the following Strategic Objectives:

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

BACKGROUND

- 8. Risk management is a cornerstone of good corporate governance and the Council has established a system of risk management which involves the creation of risk registers at a strategic level, service level and individual project levels.

Compiling the Strategic Risk Register requires a collective effort involving chief officers and senior members to identify the key strategic risk issues facing the Council. Heads of Service are responsible for identifying, monitoring and mitigating service list level risk and once key projects have been identified the responsibility for managing these and compiling project risk registers lies with individual services. The process is described in more detail in the Council’s Risk Management Framework.

HOW THE RISKS ARE SCORED

- 9. The risks identified in the register have been scored on a 3 x 3 matrix, reflecting the likelihood of the risk occurring against the impact of it on the organisation if it did happen. The resulting score out of 9 is used to aid in prioritising the risk and the actions that are planned to mitigate them.

Likelihood of Occurrence	High	4	7	9
	Medium	2	5	8
	Low	1	3	6
		Noticeable	Significant	Critical
		Impact on Business		

- 10. Each entry within the register is scored to provide an assessment of the residual level of risk, that is the score taking into account the ‘controls in place’.
- 11. Whatever level of residual risk remains it is essential that the controls identified are appropriate, working effectively and kept under review.

SUMMARY OF THE RISKS

Risk No.	Description of Risk	Matrix Score	Change from May 2015
R1	Failure to achieve desired outcomes through partnership working and deterioration in relationships	9 (High)	0
R2	Budget cuts in key public and third sector partners having a negative impact on local level service delivery	9 (High)	+1
R3	Lack of resources to deliver the Council's priorities due to public sector funding cuts (financial & staff capacity)	8 (High)	0
R4	Failure to optimise opportunities for new ways of working and alternative business models including options for income generation	8 (High)	0
R5	Failure to react to changing service demand	7 (High)	0
R6	Reduction in satisfaction with the Council	6 (Medium)	0
R7	Failure to sustain our performance in light of budget cut	6 (Medium)	0
R8	Failure to realise the value of large budget investments and achieve return on investment	5 (Medium)	0
R9	External legislative and policy change affecting service delivery, particularly future changes as a result of Welfare Reform	5 (Medium)	0
R10	Failure to fully realise the benefits of new technology and related impact on driving organisational change.	5 (Medium)	0
R11	Reduction in staff satisfaction and morale with the Council including increase in sickness absence	4 (Medium)	0
R12	Damage to the council's reputation and potential reduction in resident satisfaction in relation to high profile planning applications, consultations and decisions.	3(Low)	-2
R13	Failure to build and maintain strong relationships of trust and confidence between officers and each party to promote good and open relationships between political parties	3 (Low)	0
R14	Failure of Shared Service arrangements	3 (Low)	0
R15	Incidents affecting service delivery/business continuity or even widespread damage, injury or risk to the public including cyber-attack.	2 (Low)	0

12. Further details about each of these risks and their mitigating controls can be found within the register in Appendix one.

13. All of the risks have been re-assessed and the register indicates whether there has been a change since the register was last reviewed in May 2015 along with a narrative to show reasoning for the scoring.
14. No new risks have been added to the register and the risk scores for two risks have been changed; R2 Budget cuts in key public and third sector partner having a negative impact on local level service delivery, and; R12 Damage to the council's reputation and potential reduction in resident satisfaction in relation to high profile planning applications, consultations and decisions.
15. The risk score for R2 has been increased by 1 point, taking it from a score of 8 to the highest possible risk level of 9 which indicates a high likelihood of occurrence and critical impact on the business. Along with risk R1, Failure to achieve desired outcomes through partnership working and deterioration in relationships, this is one of two risks facing the council considered to be at the highest level.
16. The highest scoring risks, R1-5, focus on delivering Council priorities and maintaining local services in the light of budget cuts. The Transformation Strategy for 2016, approved by Executive Cabinet in January, responds to the recommendations of the Future Governance Models review and provides a framework to support the organisation in the change that will be required to address the challenges in the coming years. The actions in the Transformation Strategy will be central to addressing risk in this area through supporting the council to achieve its ambitions for public service reform. The strategy will be delivered through the 2015/16 Corporate Strategy project to review the way the council operates and implement changes and is attached at Appendix 2 for information.
17. Risk R2 refers to budget cuts in key public and third sector partners having a negative impact on local level service delivery. Despite strong controls and mitigating actions, the financial pressures on service delivery partners have meant that anticipated cuts have now started to take effect, most recently in the changes to local bus services by the County Council and challenges in local health services. The score has therefore been increased to the highest level, prioritising the risk and also taking into account the ongoing activity by the County Council regarding changes to Children's and Youth Services and supported housing.
18. In addition to the Transformation Strategy, a number of additional controls remain in place including the Chorley Public Service Reform Partnership which looks to mitigate the negative impact of budget cuts by taking a system wide view to reducing demand with a focus on early intervention and prevention. The Council will also continue to respond proactively to consultations and take necessary action to maintain vital services for local residents.
19. Actions to reduce risk continue to be delivered successfully although any reduction is offset to a large extent by increasing pressure on resources. This update sees a reduction of the score for risk R12, Damage to the council's reputation and potential reduction in resident satisfaction in relation to high profile planning applications, consultations and decisions. This risk referred to a number of specific cases including the Market Walk extension and Extra Care scheme which have now progressed beyond consultation activity and received planning consent. The resident satisfaction survey in June 2015 demonstrated increased levels of satisfaction overall with ongoing monthly monitoring and improvement activity for customer satisfaction.
20. All low level risks remain at the same level with new actions and monitoring dates to ensure continued mitigation of risk. Risk R15, which refers to incidents affecting service delivery/business continuity or even widespread damage, injury or risk to the public, has been updated to incorporate cyber-attack or information management breach following a review carried out by the council's insurers. Overall the review indicated a green rating which means the area is perceived to be of minimal risk with no immediate actions required;

therefore the risk score has been maintained at a low level. One area received an amber rating in relation to third parties with actions identified to be progressed in 2016.

IMPLICATIONS OF REPORT

21. 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?	N
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

17. There are no financial implications associated with the report.

COMMENTS OF THE MONITORING OFFICER

18. No comments

GARY HALL
CHIEF EXECUTIVE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Victoria Willett	5248	02/06/2016	SRRupdate

Appendix 1

Risk No.	Description of Risk	Risk Category	Risk Owner	Controls in Place	Matrix Score	Change from May 2015	Actions Planned	Action Owner	Target Action Date	Comments
R1	Failure to achieve desired outcomes through partnership working and deterioration in relationships	Reputation (Internal)	SMT	<p>Chorley Public Service Reform Partnership and role of the Executive in leveraging priorities</p> <p>Partnership working is a key management competency</p> <p>Working relationships with key partners, both officer and elected member.</p> <p>Transformation Strategy 2016</p>	9	0	<p>Members and officers to work to manage relationships and ensure effective communication</p> <p>Transformation Strategy actions</p> <ul style="list-style-type: none"> - Work to develop and implement the combined authority for Lancashire - Develop governance arrangements, structures and approach to Integrated Community Wellbeing Service <p>Ongoing management of the Chorley Public Service Reform Programme and evaluation of year 1 work programme</p>	GH	Ongoing	<p>The newly adopted Transformation Strategy for 2016 focuses on the Council providing leadership to become more outwardly focussed with closer partner relationships to achieve greater integration of public services.</p> <p>Given the level of uncertainty, system pressures for all partners and limited formal controls, the score has been retained at the highest level to reflect a critical impact on the business.</p>
R2	Budget cuts in key public and third sector partners having a negative impact on local level service delivery	Strategic (External)	SMT	<p>Existing relationships with key public sector partners.</p> <p>Chorley Public Service Reform Partnership</p> <p>Additional funding support for third sector groups included in 2016/17 budget</p> <p>Transformation Strategy 2016</p>	9	+1	<p>Officers and Members to lobby and influence key public sector partners through meetings, working groups and responding to consultations.</p> <p>Focus on early intervention and prevention agenda</p> <p>Transformation Strategy actions to increase system sustainability</p>	CS	On going	<p>Budget cuts have now started to take effect including Lancashire County Council cuts to bus services and ongoing consultation regarding assets and children's and young people's services; therefore, the score has been increased to the highest level.</p> <p>Chorley Public Service Reform Partnership continues to focus on how organisations can</p>

Risk No.	Description of Risk	Risk Category	Risk Owner	Controls in Place	Matrix Score	Change from May 2015	Actions Planned	Action Owner	Target Action Date	Comments
										collectively deliver high quality public services to the efficiently and effectively.
R3	Lack of resources to deliver the Council's priorities due to public sector funding cuts (financial & staff capacity)	Financial (Internal)	SMT	<p>Refreshed Corporate Strategy and single Organisational Plan</p> <p>Strong Medium Term Financial Strategy</p> <p>Additional budget investment in priorities</p> <p>Continued organisational development</p> <p>Transformation Strategy</p>	8	0	<p>Implementation of 16/17 Organisational Plan to focus activity and prioritise resources around cross-cutting delivery</p> <p>Focus on business growth and generating additional income to make the council financially self-sufficient</p> <p>Transformation Strategy actions</p> <ul style="list-style-type: none"> - Implement changed management structure 	CS	June 2016	<p>The Future Governance Models report sets out how the council will need to change to continue to be able to deliver its priorities. The Transformation Strategy translates this into a plan of action with a number of key actions delivered to date.</p> <p>Delivery of the plan will provide some mitigation although this is likely to be determined over the next 5 years and therefore the score remains high based on potential impact.</p> <p>Gaining planning permission for the Market Walk extension secures a potentially significant future income stream</p>
R4	Failure to optimise opportunities for new ways of working and alternative business models including options for income generation	Operational (Internal) and Reputational	SMT	<p>Key strategic partnerships framework</p> <p>Corporate strategy</p> <p>Chorley Public Service Reform Partnership</p> <p>Transformation Strategy</p>	8	0	<p>Transformation Strategy actions:</p> <ul style="list-style-type: none"> - Develop governance arrangements, structures and approach to integrated community wellbeing services 	CS	Ongoing	<p>Progress has been made to establish the combined authority and also future Integrated Community Wellbeing Service.</p> <p>Partnership working with County Council and health colleagues remains critical and risk in this respect is high.</p>
R5	Failure to react to changing service demand	Strategic (External)	SMT	Use of system data and regular monitoring and reporting	7	0	Investment in the Single Front Office	AK	Dec 2016	Risk reflects need to manage customer demand and make services more

Risk No.	Description of Risk	Risk Category	Risk Owner	Controls in Place	Matrix Score	Change from May 2015	Actions Planned	Action Owner	Target Action Date	Comments
				<p>Volumetric data capture</p> <p>Self service capability via council website.</p> <p>ICT Digital Strategy</p> <p>Transformation Strategy</p> <p>Digital inclusion project</p>			<p>Investment in staff training</p> <p>Further enhancements to council website to facilitate channel migration to online</p> <p>Year 2 of the digital inclusion project</p>			<p>sustainable by driving down cost to access.</p> <p>Now in its third year, the single from office should be fully embedded by April 2017 with the most recent update presented to Executive Cabinet earlier this year.</p> <p>Risk level is maintained pending the delivery of actions and score to be reviewed at next update.</p>
R6	Reduction in satisfaction with the Council	Reputation (Internal)	SMT	<p>Strong customer service culture.</p> <p>Regular monitoring through the Corporate health dashboard.</p> <p>Resident satisfaction survey.</p> <p>Customer Satisfaction Survey</p>	6	0	<p>Additional investment in priority areas</p> <p>Tangible improvement projects in the Corporate Strategy</p> <p>Communications, campaigns and events.</p>	Performance and Partnerships / Communications and events	Dec 2016	<p>Monthly measurement shows dissatisfaction has improved although satisfaction is still below target. The Council continues to face difficult and publicly sensitive decisions regarding future service provision and therefore the risk score has been maintained.</p>
R7	Failure to sustain our performance in light of budget cuts	Reputation (Internal)	CS	<p>Performance management framework</p> <p>Regular performance monitoring.</p> <p>Corporate and key delivery PI's</p> <p>Leading Edge management competencies</p>	6	0	<p>Embed new technology to support internal monitoring</p> <p>Benchmarking exercises including LG Inform</p> <p>Refresh of local indicators</p> <p>Transformation strategy action: - Refresh the council's</p>	Performance and Partnerships	Ongoing	<p>Performance levels remain high although continued monitoring is necessary, particularly following the implementation of the new senior management structure.</p>

Risk No.	Description of Risk	Risk Category	Risk Owner	Controls in Place	Matrix Score	Change from May 2015	Actions Planned	Action Owner	Target Action Date	Comments
				Transformation Strategy			performance management and business planning frameworks to reflect changing governance models			
R8	Failure to realise the value of large budget investments and achieve return on investment	Financial (Internal)	SMT	Budget setting process Regular budget monitoring Project and programme management Market Walk Steering Group	5	0	Ongoing monitoring of Market Walk performance through quarterly management reports Corporate Strategy project to deliver the Market Walk extension	RH	Dec 2016	Market Walk continues to generate positive ROI. Planning permission for the Market Walk extension granted in October 2015 to provide significant future income stream.
R9	External legislative and policy change affecting service delivery, particularly future changes as a result of Welfare Reform	Strategic (External)	SG	Chorley Welfare Reform Partnership Additional dedicated resources – Court and Welfare Reforms Officer and Employability Officer. Credit Union – now fully self-sustaining.	5	0	Year 2 of digital access and inclusion project New DHP Policy approved Future partnership agreement with CBC/DWP	AK / JC	December 2016	The Welfare Reform Partnership continues to work proactively to mitigate the impact of Welfare Reforms. However, further changes are planned including an end to housing benefit for young people not in education or training in 2017 and therefore, the risk level is maintained.
R10	Failure to fully realise the benefits of new technology and related impact on driving organisational change.	Operational (Internal)	AK	Transformation Strategy Digital Strategy	5	0	Implementation of new technologies to support the delivery of the Single Front Office Extensive ICT network upgrade to improve technology and future proof organisation	AK	Ongoing	Risk is reduced through successful activity to embed new technology. However, the risk score is maintained given the potential for network disruption as the result of a significant ICT infrastructure upgrade planned for later this year.

Risk No.	Description of Risk	Risk Category	Risk Owner	Controls in Place	Matrix Score	Change from May 2015	Actions Planned	Action Owner	Target Action Date	Comments
R11	Reduction in staff satisfaction and morale with the Council including increase in sickness absence	People (Internal)	COS/JM	<p>OD and health and wellbeing programmes</p> <p>Healthcare cash back scheme</p> <p>Leading edge management competencies</p> <p>Internal communications plan</p>	4	0	<p>Transformation Strategy action: Updated OD programme</p> <p>Number of specific interventions including additional management training</p> <p>Staff Health and Wellbeing Days</p> <p>Launch of staff mission</p>	CM	December 2016	<p>The staff satisfaction survey undertaken in August 2015 showed 84% of staff are satisfied in their job (a reduction of 4% compared to 2013) with the next survey to be completed in 2017.</p> <p>Staff sickness has increased significantly compared to 2014/15 and a detailed report was presented to Overview and Scrutiny Committee in 2016 with recommendations made to improve the process.</p> <p>The recent senior management restructure may have impacted on staff morale. Additional staff health and wellbeing days are being provided.</p>
R12	Damage to the council's reputation and potential reduction in resident satisfaction in relation to high profile planning applications, consultations and decisions.	Reputation (Internal and External)	SMT	<p>Communication and engagement with local stakeholders and residents</p> <p>Governance</p> <p>Planning Policies</p>	3	-2	<p>Continued tailored communication and engagement for different issues.</p> <p>Monthly monitoring of resident satisfaction</p>	GH	December 2016	<p>This risk referred to specific cases including Market Walk and Extra Care which have now progressed beyond initial consultation with controls proving effective. The 2015 resident satisfaction survey showed increased levels of satisfaction across all categories. Therefore the likelihood of occurrence has reduced.</p>

Risk No.	Description of Risk	Risk Category	Risk Owner	Controls in Place	Matrix Score	Change from May 2015	Actions Planned	Action Owner	Target Action Date	Comments
R13	Failure to build and maintain strong relationships of trust and confidence between officers and each party to promote good and open relationships between political parties	Strategic (Internal)	GH	Bi-weekly meeting with leader and regular meetings with the leader of the opposition. All party leaders meetings Attendance at political group meetings to address key issues.	3	0	Corporate strategy development and engagement with political parties	GH	As Required	Relationships are currently strong. Result of recent local election maintains continuity
R14	Failure of Shared Service arrangements	Operational (Internal)	SMT	Strategic partnerships framework Effective governance arrangements	3	0		CS	Ongoing	Risk stays the same due to potential impact of failure on organisation.
R15	Incidents affecting service delivery/business continuity or even widespread damage, injury or risk to the public including cyber attack/information management breach.	Operational (External)	GH/SG	Business Continuity Plan Emergency Plan Country wide flu pandemic plan. Multi agency flood plan Chorley COMAH Plan	2	0	Roll out Resilient Direct (RD) website with ongoing support in its use. Undertake testing of revised BCP's (carried forward) Actions as a result of cyber-attack/information management review	GB	As required	SAS will update key contacts, processes and procedures following the senior management review Following a review by the Councils insurance provider in May 2015, cyber attack/information management breach has been included within the description for this risk with any resulting actions to be progressed in 2016.

SMT – Senior Management Team
GH – Gary Hall (Chief Executive)
CS – Chris Sinnott (Director (Policy and Governance))
AK – Asim Khan (Director (Customer and Digital))
JC – Jamie Carson (Deputy Chief Executive/Director (Early Intervention and Support))

SG – Susan Guinness (Head of Shared Financial Services)
RH – Rebecca Huddleston (Head of Customer Transformation)
GB – Garry Barclay (Head of Shared Assurance Services)
CM – Chris Moister (Head of Legal, Democratic and HR Services)

Transformation Strategy 2016



Background

Public services face significant challenges in the coming years, with decreasing resources and increasing demand. In response to these challenges, the council has led work over the last year to examine governance models and approaches that could support the development of sustainable public services for Chorley.

This work led to the development of an evidence base and a report on future governance models for public services, with a series of recommendations to the council. These recommendations were accepted by the meeting of full council on 24 November. This strategy aims to support the organisation in undertaking the change that will be needed in the future.

Challenges and ambitions

The council has clearly identified and analysed the challenges faced by public services in its work on future governance models. They include:

- **A growing and changing population**
In the coming years, Chorley's population is projected to grow by at the fastest rate of all Lancashire districts. At the same time, Chorley's population will grow older, with the proportion of the population aged over 85 doubling to represent 5.6% of the population by 2037.
- **An economic area spanning the boundaries of different administrative areas**
Chorley's economic area extends to surrounding areas. 60% of the borough's working residents commute out of the borough to work, with South Ribble, Preston, Wigan and Bolton being the top destinations. This economic area needs to be considered to ensure that administrative boundaries do not constrain Chorley's future economic growth by making other areas more attractive because of policy differences.
- **Pockets of deprivation**
The borough of Chorley is generally fairly affluent. However, there are pockets of deprivation. Eight lower super output areas in the borough within the 20% most deprived in the country, with four of those in the 10% most deprived. This deprivation is often linked to other issues such as poor health. For example, the life expectancy in the most deprived areas of the borough is 9.6 years lower for men and 6.7 years lower for women compared to the least deprived.
- **Changing legislative and policy context**
The policy context for public services continues to change dramatically. The development of combined authorities and devolution deals continue to change the nature of decision making and approach in different areas of the country. This is likely to continue when the Cities and Local Government Bill receives Royal Assent in January. The need for integration of health and social care continues to pose a difficult problem for public services, with the NHS 5 year forward view, the Healthier Lancashire programme and the Better Care fund being some of the programmes and documents that are attempting to address it.
- **Budgetary pressures**
All public services are facing significant budgetary challenges, primarily caused by reductions and restrictions to funding and increasing demand for services. The comprehensive spending review announced in November and the local government settlement in December continued the restriction of local government finances, and have clearly indicated that the Revenue Support Grant will be phased out and greater reliance placed on locally raised revenue.

These challenges led the council to set out a clear purpose, and to accept the recommendations contained in the final report on future governance models for Chorley. The purpose and recommendations are set out below.

Purpose of Chorley Council

Chorley Council will provide leadership and services which protect vulnerable people and are focussed on preventing the need for a reliance on more expensive service provision. The council will:

- deliver high quality services that meet the needs of its residents and communities
- work with its partners to integrate services regardless of existing organisational boundaries
- focus on preventative services, and services which support communities and individuals to remain independent and self-sufficient
- promote Chorley as a great place to live, work and do business.

Recommendations from the Future Governance Models report

1. Chorley Council should adopt a clear statement of purpose that it sees itself as a community leader that will work across organisational boundaries to improve and protect public services.
2. Chorley Council should have a clear ambition to achieve integrated public services in Chorley, using the integrated district governance model as a foundation
3. Chorley Council should reshape its structure and organisation to enable and support change
4. Chorley Council should use the principles outlined in this report in its service delivery and to guide the development of new services and governance models
5. The council should work with Lancashire Care NHS Foundation Trust and other willing partners to develop an integrated community wellbeing service
6. Chorley should support the development of a combined authority for Lancashire, particularly for functions that are best based at the pan-Lancashire level
7. Chorley Council should work with neighbouring areas to explore the development of opportunities for radical public service reform across a wider geographic area
8. Chorley Council should work with others to create a vision for education in the borough

The impact of these recommendations will mean significant change for the way in which Chorley Council operates; the public services that it is involved in and its focus in the coming years. This Transformation Strategy aims to support the council through this change.

The key challenges for the organisation will be:

- Becoming more outwardly focussed, with closer and potentially more complex relationships with a range of public service partner organisations
- Providing leadership to all public services
- Taking a whole-system and whole-person approach to the delivery of services to focus on prevention and early intervention
- Making best use of technology to support the organisation and our customers and residents to change
- Implementing new governance models and approaches to service delivery to make public services more sustainable

Objectives

The overriding aim of the Transformation Strategy is to support the council to achieve its ambitions for public service reform. This means that it aims to support the organisation in achieving:

- a greater integration of public services, particularly around prevention and early intervention
- focus on prevention and early intervention across public services
- decision making and accountability at the lowest practical level
- the system-wide sharing of responsibility for management of demand and reduction of cost shunting between organisations.

The objectives are:

- To support the council to achieve its ambitions and the recommendations of the Future Governance Models for Chorley report.
- To support the delivery of the council's Medium Term Financial Strategy
- To position the borough and the council well to respond to future challenges and demands

Links to other strategies and plans

In addition to the work and reports on future governance models, the Transformation Strategy has close links to other existing plans and strategies. This strategy has therefore been written to ensure that it complements and aligns its objectives and actions with other strategies, including:

- Corporate Strategy
- Medium term Financial Strategy
- Digital Strategy
- Organisational Development Strategy

Business models and service design principles

As set out in the recommendations earlier in the document, the final report on future governance models for Chorley identified a series of recommendations.

This included an overall recommendation about the future governance model for public services in Chorley. This was to create a model of integrated public services which bring

together the public services more clearly based around the needs of individuals and communities rather than organisational silos.

In addition, there were a series of principles identified to guide the council in the services it provides or commissions or new services that the council develops with public service partners. They are set out below.

Service design principles

Providing excellent customer services

1. Services, however complex, should be dealt with as far as possible at the first point of contact
2. Customers who can should prefer to use digital channels as a straightforward and efficient way of managing services
3. The management and delivery of customer-related services should be managed end-to-end with as few hand-overs of requests as possible
4. Management information should be actively used to target resources
5. Customers should be able to access information and manage their service requests without having to interact with the council

Encouraging community action and coproduction

6. Everyone involved in delivering public services in Chorley should recognise people as assets.
7. Every service should provide opportunities for people to contribute and add value in their lives and local area.
8. Public services in Chorley should invest in building social networks and community capability
9. Services being reformed or redesigned should be designed with coproduction and community action as a central aim

Prevention and early intervention

10. Frontline workers will be empowered to work within localities and tailor services to the needs of the communities and individuals
11. Issues and problems faced by individuals, families or communities will be dealt with as far as possible without the need for a formal referral process
12. Self-management and peer support will be promoted and supported
13. Services will be codesigned and coproduced
14. There will be a focus on prevention and early intervention across all public services

These principles provide a key driver and backdrop to the transformation strategy, and its actions. In implementing changes through the strategy, the organisation should seek to apply these principles across all services and decisions.

Themes

In developing the strategy, it is useful to identify themes that address the challenges and that support the organisation in changing. The key themes are:

Customers and communities

Significant changes to public services will mean significant changes in the way in which residents access and experience services. This could be a negative experience, as services become more restricted and in some cases disappear. However, it could also present an opportunity. Research from elsewhere and the Chorley conversation suggest that individuals and communities would benefit from a changed relationship with public services which is based on a more equal basis, with coproduction at its heart. To do this, the council will need to build capacity in communities to support them to improve their local areas, support each other and better access services.

In addition, there is an opportunity to make services better in individual interactions between the council and customers. This could be achieved through more consistent management of the delivery of customer-related functions and in making use of digital technology. The council's digital strategy sets out an ambition that customer who can use digital channels should prefer to use them as the easiest and most straightforward way. In addition, the future governance model overview report set out principles for the council's approach to customer related functions, which will need changes in the management and approach to the delivery of services.

Councillors and staff

Councillors and staff will need to change in response to the proposals in the future governance models overview report and the external changes that are already taking place across public services. Decision making is likely to become more complex, with a greater number of public services delivered through partnership. The role of councillors may change in terms of roles around decision making, scrutiny and representing their residents.

The way in which services are delivered will also change (for example through an integrated community wellbeing service) and so employees will need to be provided with support in the change. This will affect all levels of the organisation, from senior manager to frontline worker.

Digital

Digital technology provides the organisation and public services with huge opportunities to improve efficiency and the experiences of residents and service users. Through the change and implementation of the strategy, the use of technology will need to be considered.

Governance models

The future governance models overview report set out recommendations for new governance models and services, such as the integrated community wellbeing service and a combined authority for Lancashire. Work now needs to be undertaken to develop decision making, staffing and other arrangements to be presented for approval.

Financial, performance management and business planning

The organisation's governance framework will need to change to reflect new governance models to ensure they are fit for purpose and able to support the organisation through change.

Delivering the strategy

An overview action plan will be developed alongside the implementation a new management structure for the organisation. It will be overseen by the Public Service Transformation Working Group, and where appropriate use the council's project management to deliver the individual projects.

Although the action plan will be developed later, the initial focus will include the following pieces of work:

1. Develop governance arrangements, structures and approach to the integrated community wellbeing service
2. Implement changed management structure – including subsequent changes to decision making and information sharing arrangements
3. Work to develop and implement the combined authority for Lancashire
4. Develop and implement a work smart programme, to maximise the use of digital information management and make more flexible working practises
5. Develop a Member support programme for changing governance, service delivery and decision making arrangements
6. Develop a new organisational development plan identifying the skill requirements – including for a new management team, frontline workers, and partnership working
7. Develop a customer services strategy to include implementation of the service design principles across the organisation and integration of customer-related functions.
8. Refresh the council's performance management and business planning frameworks to reflect the changing governance models
9. Develop a strategy for the implementation of a council-wide approach to encouraging community-action and coproduction
10. Refresh the council's internal communications strategy

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

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