



MINUTES OF GOVERNANCE COMMITTEE

MEETING DATE **Wednesday, 25 January 2017**

MEMBERS PRESENT: Councillor Paul Leadbetter (Chair), Councillor Anthony Gee (Vice-Chair) and Councillors Jean Cronshaw, Alan Cullens, Gordon France, Danny Gee and Debra Platt

OFFICERS: Gary Hall (Chief Executive/Statutory Finance Officer), Chris Sinnott (Director (Policy and Governance)), Chris Moister (Head of Legal, Democratic & HR Services/Monitoring Officer), Garry Barclay (Head of Shared Assurance Services), Michael Jackson (Principal Financial Accountant), Dawn Highton (Principal Auditor) and Dianne Scambler (Democratic and Member Services Officer)

APOLOGIES: Councillor Margaret France

OTHER MEMBERS: Councillor Peter Ripley (Independent Member), Mark Heap (Grant Thornton UK LLP) and Gareth Winstanley (Grant Thornton UK LLP)

17.G.65 Declarations of Any Interests

There were no declarations of any interests.

17.G.66 Minutes of meeting Wednesday, 14 September 2016 of Governance Committee

RESOLVED – That the minutes of the Governance Committee held on 14 September 2016 were confirmed as a correct record for signing by the Chair.

17.G.67 Governance Committee: Progress and Update Report

The Committee received a report that showed the progress made by our External Auditors in delivering their responsibilities. The report also provided a summary of emerging national issues and developments that may be relevant to the Council and included best practice information regarding the early closure of accounts that the Committee may wish to consider.

The 2016/7 Audit Plan was still on track to be issued by the end of March and would be presented at the Committee's next meeting. Interim fieldwork visits included, a review of the authority's control environment, updating and understanding of financial systems, review on core financial systems, early work on emerging accounting issues, early substantive testing and a proposed Value for Money conclusion.

The scope of their work to inform the 2016/17 Value for Money conclusion had been recently changes by the National Audit Office and to ensure that the auditors were satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, areas of focus would be around informed decision making, and the deployment of resources to achieve planned and sustainable outcomes for Taxpayers and local people.

Gareth Winstanley reported that this would be his last meeting of Governance Committee and that Simon Hardman would be taking his place at subsequent meetings. The Chair, on behalf of the Committee, thanked Gareth for all his hard work and support over the years and wished him every success in his new venture.

RESOLVED – That the report be noted.

17.G.68 Treasury Management Activity to 31 December 2016

The Committee received a report of the Chief Executive on Treasury Management and performance and compliance with Prudential Indicators in the financial year 2016/17 to the end of December.

Average interest earned was 0.03% to the end of December. As in 2015/16, cash balances had been used as a source of internal borrowing at higher rates of interest, thereby achieving revenue budget savings. Updated Capital Expenditure and Capital Financing Requirement Prudential Indicators would be presented in the Treasury Strategy report to Full Council on 28 February 2017 and would come to the next Governance Committee meeting in March.

The Council's treasury advisors, Capita Asset Services, had provided a detailed commentary on interest rate forecasts which was appended to the report. Compared to the previous interest rates forecast, PWLB rates were currently lower than had been expected and were not considered likely to increase by much as had been previously suggested. It was anticipated that there would be the potential to borrow money more cheaply from other authorities rather than PWLB in the future. Any future projects that the Council may embark upon, would take into account the cost of borrowing for the organisation and associated risks.

RESOLVED – That the report be noted.

17.G.69 Changes to arrangements for appointment of External Auditors

The Committee were reminded of the various arrangements available to the Council to appoint its external auditor beyond the 2017/18 financial year when the current contract with Grant Thornton came to an end. These included setting up an independent auditor appointment panel or opting into a Sector Led Body (SLB) that would negotiate contracts and make appointment on behalf of councils. The advantages and disadvantages of the various options available were highlighted within the report.

Although the Council had until December 2017 to make an appointment, in practical terms, this would mean that one of the options would need to be in place by spring, to facilitate the negotiation process.

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 cost and having the potential to negotiate the lowest fees in order to deliver economic and efficient external audit arrangements across all authorities.

Public Sector Audit Appointments LTD (PSAA) has been chosen by the Secretary of State by the SLB and on 27 October 2016 and the Council had received a formal letter of invitation to opt in to the sector led approach. The length of the compulsory appointing period is five consecutive years from 1 April 2018 and any decision to become an opted-in authority must be taken in accordance with prevailing regulations, that is by the members of an authority meeting as a whole (in the case of Chorley Council). The closing date of acceptance is 9 March 2017.

RESOLVED – To recommend to full Council to approve option 3 in the report, thereby accepting the invitation from Public Sector Audit Appointments Ltd, to become an opted-in authority for the purposes of the appointment of its external auditor thus dispensing with the need to set up its own appointment panel.

17.G.70 Internal Audit and Interim Report as at 30 December 2016

The Head of Shared Assurance Services presented a report that advised the Committee on the work undertaken in respect of the Internal Audit Plans for Chorley Council and Shared Services for the period August to December 2016 and its outcomes. The report also gave an appraisal of the Internal Audit Service's performance to date. At this stage, the Audit Plans were on target to be achieved and the majority of performance indicators would either be achieved or exceeded.

A summary of all the audit work completed since the last meeting was provided together with and control issues that had been identified. Three audits had received a control rating of Red and the Committee discussed each of the areas in turn:

Project Management Red (7) – This review focussed on the application of the Project Management Toolkit and the utilisation of the Council's project management software – MyProjects. All projects included with the review were on track and there is comprehensive guidance and extensive documentation for Senior Responsible Officers and Project managers to use. However, neither the Toolkit nor MyProjects are consistently being used across the authority.

The Director of Policy and Governance attended the meeting to explain that following a meeting of the Senior Management Team, it had been decided that SMT would monitor monthly usage of the MyProjects system for all Corporate Strategy projects and the Transformation Programme Team would monitor any Transformation Strategy projects.

Information Governance Red (9) - This review assessed the arrangements and controls being put in place by management to develop the Council's information governance framework to deliver an effective security culture and ensure ongoing compliance with its information security obligations. It was however, recognised that there were a number of positive solutions and processes in place and a commitment to address a number of the key issues identified during the audit. The Chief Executive commented that the Council were adhering to the correct security frameworks when dealing with its information and had lots of controls and balances in place. This was another example of the correct documentation not being completed to evidence what was being done. The Chief Executive had been tasked with making officers aware of the importance of completing all relevant paperwork.

Review of Fuel Consumption Red (7) – The purpose of the review was to determine that sound arrangements were in place for the management and control of fuel consumption. It was established that since the last review had taken place, a number of controls that had been put in place had lapsed that included, the Chest not being utilised for all fuel procurement and fuel usage not being monitored or analysed per individual vehicle. It was highlighted that there had been some staffing changes to the management structure, there are systems in place that are not being used and now that these had been highlighted, it was expected to improve quickly.

Members were concerned that there seemed to be systems in place in a number of areas that were not being followed to by staff and although it was accepted that people were stretched and that this was part of the issue, the importance of following correct procedure and process was of paramount importance to the Council's governance arrangements and has such the Committee felt that officers needed to place greater importance to ensuring that the correct systems were adhered to.

The Committee were informed that in line with the latest Internal Auditing practices, from 2017/18 they would be developing their approach to audit assignments by asking managers and staff to compile risk registers for each function/system under review. It was hoped that this would encourage a greater ownership of risk management within services and thereby improve the level of internal control operating throughout the Council

RESOLVED – That the information in the report be noted.

17.G.71 RIPA Inspection

The Monitoring Officer presented a report that updated members on a recent inspection that had taken place in September 2016 to assess compliance with our obligations under the Regulation of Investigatory Powers Act (RIPA). A copy of the Inspection Report undertaken by the Office of Surveillance Commissioners was appended to the report.

The Council has not granted a RIPA authorisation of any sort for a number of years and none since the last inspection. The report therefor confined itself to addressing how the Council complied with the recommendations of the last inspection and a review of current systems.

Member's attention was drawn to three areas of improvement that included minor factual changes to the body of the RIPA Policy, an expansion on guidance relating to social media and a review of the policy on the use of CCTV to reflect the newly refurbished suite situated within the police station. This would be undertaken jointly with the police to reflect that it is primarily used by them.

Members queried why the Chief Executive being appointed as the RIPA Senior Responsible Officer was considered unusual and were informed that although in many authorities this responsibility lies with the Monitoring Officer, the Council had taken the stance that as requests are so infrequent it would be more prudent for the Chief Executive to consider and authorise any requests.

RESOLVED – That the report be noted.

Chair

Date