



**MINUTES OF GOVERNANCE COMMITTEE**

**MEETING DATE** Wednesday, 22 March 2017

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

**OFFICERS:** Gary Hall (Chief Executive/Statutory Finance Officer), Garry Barclay (Head of Shared Assurance Services), Michael Jackson (Principal Financial Accountant) and Dawn Highton (Principal Auditor)

**APOLOGIES:** Councillor Paul Leadbetter

**OTHER MEMBERS:** Councillor Peter Ripley (Independent Member) and Simon Hardman (Grant Thornton UK LLP)

**17.G.72 Minutes of meeting Wednesday, 25 January 2017 of Governance Committee**

**RESOLVED – That the minutes of the Governance Committee held on 25 January 2017 be held as a correct record for signing by the Chair.**

**17.G.73 Declarations of Any Interests**

There were no declarations of any interest.

**17.G.75 Audit Plan - Chorley Borough Council 2016/17**

The External Auditors, Grant Thornton, gave an overview of the planned scope and timing of the audit for the year ending 31 March 2017, allowing Members to understand the key requirements in bringing the plan together and the risks and consequences of the work being carried out.

The aim was to complete all substantive audit work as part of the financial statements by 31 July 2017, and that as part of their opinion, consideration would be given to whether the authorities financial statements accurately reflect the financial reporting changes in the 2017/18 Code.

The audit focused on risks and the Committee's attention was drawn to the following significant risks that had been identified as part of the process:

- Valuation of property, plant and equipment
- Valuation of pension fund net liability

Other risks identified included the changes to the presentation of local authority financial statements. The original aim had been to streamline the financial statements

and improve accessibility to the user, which had resulted in changes to the 2016/17 Code of Practice. The changes affected the presentation of income and expenditure in the financial statements and associated disclosure notes.

The Code requires the External Auditors to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in the use of its resources, known as the Value for Money (VfM) Conclusion. It was reported that the results of their VfM audit work and key messages arising would be reported in the Audit Findings Report and Audit Letter. A conclusion on the Councils financial statements would be given by 30 September 2017.

As a result of an initial risk assessment, two areas of significant risks had been identified for further investigation:

- Medium term financial planning, and
- Risk management arrangements

Details were provided within the report of the work proposed to address these risks.

The Chief Executive commented that these areas were likely to be considered by all local authorities in view of current budget issues. He was however, confident that the Council could deliver as Chorley Councillors make collective, non-political decisions about such major issues.

A timetable of the activity for the next twelve months along with information on their audit fees was also provided for the Committee's information.

**RESOLVED – That the report be noted.**

#### **17.G.76 Annual Audit Letter 2015/16**

The Committee received a report of our external auditor that provided a summary of the work carried out by them at Chorley Council for the year ended 31 March 2016.

The letter communicated key messages to the Council and external stakeholders, including members of the public. The report includes the audit conclusions which were provided in relation to 2016. Members were pleased to note that there were no findings of any concern.

Grant Thornton wished to extend their appreciation for the assistance and co-operation provided to them during the audit by the Council's staff. Gareth Winstanley had commented on how much he had enjoyed working with Chorley over the past five years and wanted to pass on his thanks to the finance team and the Committee.

**RESOLVED - That the report be noted.**

#### **17.G.77 Certification Work for year ended 31 March 2016**

The External Auditors were required to certify the Housing Benefit subsidy claim for 2015/16 relating to expenditure of £26.2 million submitted by Chorley Council. Details of the claim certified was appended to the report and confirmed that no errors were identified that impacted on subsidy.

**RESOLVED – That the report be noted.**

## **17.G.78 Governance Committee Progress and Update**

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.

A recent national report on Income Generation included a case study on Chorley Council's purchase of Market Walk. In response to the Chair, it was explained that there was a mixed picture regarding other authorities exploring income generation schemes.

Grant Thornton had delivered some financial account workshops that Chorley Council staff had attended.

**RESOLVED – That the report be noted.**

## **17.G.79 Understanding Local Authority Financial Statements**

The Chief Executive submitted a report on understanding local authority financial statements. Following feedback from consultations from local authority accounts preparers and the working group, the Telling the Story consultation set out proposals for change that CIPFA/LASAAC considers will reconnect the financial statements of local authorities with the way those authorities are both organised and funded.

The changes to the 2016/17 Code therefore has two main strands:

- To allow local authorities to report on the same basis as they are organised by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement
- To introduce a new Expenditure and Funding analysis which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the Comprehensive Income and Expenditure Statement in a way that is accessible to the lay reader. This analysis is supported by a streamlined Movement in Reserves Statement that will replace the current segmental reporting note.

The changes to the Code will for the first time allow local authorities to bring together the funding framework and the accounting framework in one analysis.

It was highlighted to Members the different formats that the newly presented information would take and officers advocated the reading of the CIPFA documentation to gain a better understanding of the changes. It was also suggested that Governance Committee Members would benefit from a training session on this topic.

**RESOLVED - That the report be noted.**

## **17.G.80 Fighting Fraud and Corruption Locally - The Local Government Counter Fraud & Corruption Strategy 2016 - 2019**

The Head of Shared Assurance Services presented a report that evaluated the Council's compliance with Fighting Fraud & Corruption Locally – The Local

Government Counter Fraud & Corruption Strategy 2016-2019. The report also presented an analysis showing the Council's existing compliance with the Strategy together with an action plan to address any areas of non-compliance.

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. Its production and subsequent implementation is overseen by an independent board, which includes representation from key stakeholders. The board commissioned the drafting and publication of the strategy from the CIPFA Counter Fraud Centre.

The 2016 Annual Governance Statement contained an action to undertake a review to ensure compliance with the requirements contained within the Fighting Fraud & Corruption Locally – The local government counter fraud and corruption strategy and companion. This review had now been undertaken and it had been highlighted that there were four requirements where the Council's arrangements could be strengthened and details of the further action required was detailed within the report.

**RESOLVED – That the report be noted.**

#### **17.G.81 Internal Audit Plan 2017/18**

The Committee received a report of the Head of Shared Assurance Services that reminded members of their 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 2017/18 Internal Audit Plan.

The 2017/18 Internal Audit Plan contained the programme of reviews for the next financial year and was appended to the report. The Plan had been constructed following an assessment of audit need by considering a range of factors, such as significant changes in staffing, systems and procedures, the length of time since an area was last audited and items relating to the Corporate Strategy and Corporate Risk Register. There had also been extensive consultation within each service which had taken an overview of audit requirements.

As advised at the last Committee meeting, the team would be introducing a risk based approach to auditing from 2017/18 onwards. This approach is to encourage greater ownership of risk and control issues within services and to optimise the benefits from the Internal Audit Service. Using this revised methodology the team will audit all the Council's CRITICAL systems, and some MAJOR systems will be audited over the next two years.

**RESOLVED – That the 2017/18 Internal Audit Plan be approved.**

#### **17.G.82 Code of Corporate Governance: Update**

The Director of Governance and Policy submitted a report to advise members of changes made to the Council's Code of Corporate Governance that was appended to the report.

The Council are required to adopt a Code of Corporate Governance which demonstrates how the authority complies with its legislative requirements, the principles of good governance and management processes. In 2007 CIPFA/SOLACE

issued a Framework and Guidance Document entitled Delivering Good Governance in Local Government which established the Framework and Principles in which the Code could operate. Chorley Council has used this framework as the basis for our Corporate Governance since that time.

In 2012, to reflect a change in the Regulations, CIPFA/SOLACE issued new guidance and an addendum to the Framework. The Framework Document was reissued in 2016 and established seven Core Principles to replace the previous six. The focus of the Framework was now to encourage Local Authorities to establish local codes with their own approaches to Corporate Governance and the new Framework sought to promote a customer focus in how the Council seeks to achieve its objectives.

**RESOLVED – That the updated Code of Corporate Governance be approved and adopted.**

#### **17.G.83 Members Code of Conduct: Procedural Amendments**

The Committee received a report of the Monitoring Officer that sought approval of proposed changes to the Council's arrangements for Dealing with Complaints about the Conduct of Elected Members.

A recent complaint had sought to withdraw a complaint concerning the conduct of an Elected Member after an Investigating Officers report had been completed. The report found that there had been a breach of the Code, however, the complainant had decided not to pursue the matter further.

In consultation with the Independent Person, the Monitoring Officer had concluded that without the engagement of the complainant, it would be difficult to evidence the complaint and it was jointly advised that the matter should be discontinued.

Whilst there is provision for a departure from the current procedure to not specifically address the situation. It was felt that additional guidance should be included to support Members and Officers in making a decision where the complainant seeks to withdraw. The Independent Person explained that this course of action would enable more serious cases to be followed up even where withdrawn.

**RESOLVED – That the Arrangements for Dealing with Complaints about the Conduct of Elected Members be amended to include a specific provision for addressing the withdrawal of a complaint as detailed in paragraph 10 of this report and forwarded to full Council for approval to a change in the Constitution.**

#### **17.G.84 RIPA Application Update**

It was reported that no RIPA applications had been made.

Chair

Date