

GOVERNANCE COMMITTEE

WEDNESDAY, 25TH JULY 2018, 2.30 PM
COMMITTEE ROOM 1, TOWN HALL, CHORLEY

AGENDA

APOLOGIES

1 **MINUTES OF MEETING WEDNESDAY, 30 MAY 2018 OF GOVERNANCE COMMITTEE**

(Pages 3 - 10)

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 **TREASURY MANAGEMENT ANNUAL REPORT 2017/18 AND MONITORING 2018/19**

Report of the Chief Executive (to follow).

4 **STATEMENT OF ACCOUNTS 2017/18**

Report of the Chief Finance Officer (to follow).

5 **EXTERNAL AUDIT FINDINGS REPORT 2017/18**

Report of the External Auditor (to follow).

6 **WORK PROGRAMME**

To receive and consider the draft work programme.

7 **RIPA APPLICATION UPDATE**

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

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

(Pages 11 - 12)

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, Yvonne Hargreaves, Steve Holgate and Kim Snape.

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MINUTES OF GOVERNANCE COMMITTEE

MEETING DATE **Wednesday, 30 May 2018**

MEMBERS PRESENT: Councillor Anthony Gee (Chair) and Councillors Jean Cronshaw, Alan Cullens, Gordon France, Yvonne Hargreaves and Steve Holgate

OFFICERS: Gary Hall (Chief Executive/Statutory Finance Officer), Rebecca Huddleston (Director (Policy and Governance)), Garry Barclay (Head of Shared Assurance Services), James Thomson (Interim Financial Services Manager (Chorley)), Michael Jackson (Principal Financial Accountant), Dawn Highton (Principal Auditor) and Nina Neisser (Democratic and Member Services Officer)

EXTERNAL

REPRESENTATIVES: Mark Heap (Grant Thornton UK LLP) and Simon Hardman (Grant Thornton UK LLP)

APOLOGIES: Councillors Paul Leadbetter and Kim Snape

The Chair informed the committee that Dawn Highton, Principal Auditor, who was present at the meeting, would be leaving the authority. Therefore, this was the last Governance Committee meeting that she would attend. On behalf of the committee, the Chair expressed thanks to Dawn Highton for her hard work and dedicated service at Chorley Council and extended best wishes for the future.

18.G.19 Minutes of meeting Wednesday, 21 March 2018 of Governance Committee

RESOLVED – That the minutes of the Governance Committee meeting held on 21 March 2018 be confirmed as a correct record for signing by the Chair.

18.G.20 Declarations of Any Interests

No declarations of any interests were declared.

18.G.21 Draft Statement of Accounts 2017/18

The Chief Finance Officer submitted a report presenting the draft Statement of Accounts (SOA) for 2017/18 before being signed and authorised for issue by the end of May 2018. The report also advised on the process leading up to the formal submission of the SOA for approval by Members following the completion of the external audit and advised on the statutory requirements arising from the Accounts and Audit Regulations 2015.

Members were informed that the draft SOA had been completed, however officers were using the remaining time before the publication deadline to carry out further

checks and therefore, the final draft to be uploaded on the website could contain minor changes. The committee was reassured that the council would meet its statutory requirement to publish the draft accounts on its website by 31 May 2018.

Building on last year's improvements to the closure process, the finance team was able to complete the draft SOA well within the statutory deadlines. Members were advised that support from other services including Performance and Partnerships, Customer Services and Audit was crucial in completing the draft statement.

Members were reminded of a hold up at the closure of accounts last year due to problems with getting the cash flow to balance. The Prior Year Adjustments note in the draft statement explained the reinstatement of 2016/17 figures in the Cash Flow Statement and its Operating Activities note. Members were informed that the correction to the presentation had no effect on the reported financial position or performance of the Council and reassured that the issue had been raised with CIPFA who confirmed that this year's Cash Flow Statement was correct.

RESOLVED – That the report be noted and authorised the Statement of Accounts for signing.

18.G.22 Charity and Trust Accounts 2017/18

The Chief Finance Officer submitted a report to present for approval the accounts for the year ended 31 March 2018 for charities and trusts for which the Council is the sole trustee.

As part of the decluttering of the Statement of Accounts (SOA) in 2015/16, the previous Trust Funds note was omitted. As an alternative, figures were presented in this report, which included more detail about each charity or trust and provided an opportunity for Members to review and approve the accounts.

The report indicated that three of the charities or trusts held external investments. No sums had been disinvested and reinvested, but the market value of investments varied from year to year. Such changes in market value were reflected in the relevant accounts. Out of the five charities included in the report, one was registered.

Members recognised charities as a valuable asset to the council and requested an investigation into the feasibility of merging **or fully utilising** some of the charities together in order to make their administration easier. It was agreed that the Legal department would be approached to investigate this.

RESOLVED – That the accounts presented in Appendix A to E be approved.

18.G.23 Outcome of Cotswold House Homes England Audit and Future Audit of Primrose Gardens

The Director of Policy and Governance submitted a report to update Members on the outcome of the Homes England audit of the Cotswold House project and on the expected audit of Primrose Gardens Retirement Village project.

As expected when the Governance Committee was briefed about the audit in January 2018, the outcome of the Homes England Audit indicated that the council had received a red grade; it was deemed that the council received the final tranche of funding in

advance of the project completion. When the grant was agreed, it was understood that the grant would be paid to the Council 75% when there was a start on site and 25% on practical completion.

Officers reported that it was on the advice of the Homes England Grant Manager who strongly encouraged the council's grant manager to log into the grant management system and enter the project as complete. This was advised via a phone call on 21 March 2016; the final tranche of funding was released and received on 31 March 2017. As such, the council feels that the fault for this red grade lies with the practices of the Homes England Grant Manager pressurising the council to request the funding so as to release the money before the end of the financial year. The council had made this opinion clear to Homes England in the draft letter attached to the report for approval by the committee. It was highlighted to members that the issue lay with the timing of receipt; there had been no indication of misused funds.

It was advised that there was no clear indication from Homes England what the consequences of this red grade would be, for example, it was not suggested that the council would have to return any funding. As expected, one of the outcomes would be that the council's other Homes England project, Primrose Gardens, would be audited. The audit must be completed by the end of August (last year the deadline was October) and Grant Thornton had agreed to complete the audit.

Members were advised that the outcome of the audit could be similar to the Cotswold House audit in that the Homes England auditors not agreeing that the trigger to the funding had been met, despite advice from the grant managers. Reassurances were made that officers would be collating the necessary evidence to respond to the audit and put together the best possible arguments to confirm that the start on site had begun by the end of March 2017.

**RESOLVED 1) to acknowledge the findings of the Homes England audit
2) to approve the letter to be sent to Homes England outlining the council's concerns regarding the processes and actions of officers at Home England.
3) to note that the audit for the Primrose Gardens project will begin in August 2018.**

18.G.24 External Audit Progress Update

The External Auditors informed the committee that they were ready to start the audit of Chorley's accounts and it was advised that regular weekly meetings would be taking place between Chorley Council and the External Auditors during this time to ensure that everyone was fully up to date with the process.

A letter outlining the planned fee for the 2018/19 audit had been provided. It was advised that this fee had been set by the Public Sector Audit Appointments Ltd (PSAA) and was considerably lower than previous years.

The External Auditors took the opportunity to express their thanks to Dawn Highton for all their working together which they had enjoyed over the years.

RESOLVED – That the update be noted.

18.G.25 Internal Audit Annual Report 2017/18

The Head of Shared Assurance Services submitted a report that summarised the work undertaken by the Internal Audit Service during the 2017/18 financial year. The report provided an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control and gave an appraisal of the Internal Audit Service's performance. A summary of the results of an independent peer review of the Internal Audit Service undertaken by the Heads of Audit of two Lancashire authorities was also included in the report.

During 2017/18 a total of 15 systems/areas were reviewed, 12 of which were critical and 3 were major systems. The vast majority of these were awarded an amber assurance rating; it was advised it was difficult to get a green rating. Of the 12 critical systems reviewed, 4 received full assurance and 5 received substantial assurance. Of the red controls assurance ratings awarded, only one audit, Health and Safety – Streetscene received a limited assurance rating. Members were reassured that this was due to transition and advised that the manager had been provided with a detailed plan going forward. Overall, when the individual ratings were aggregated, it was concluded that the Council continued to operate within a strong control environment.

It was reported that the Council's risk management arrangements were further strengthened during 2017/18 by the continued development of the GRACE risk management system and Members were assured that actions had been taken during 2017/18 to strengthen the Council's governance arrangements. The Annual Governance Statement Action Plan for 2018/19 included the details of actions to further strengthen the Council's governance arrangements. The 2018 AGS had been produced following a rigorous assessment process, both internal and external.

Members were advised that the peer review of the Shared Internal Audit Service was recently undertaken by the Heads of Audit from Wyre and Lancaster Councils. The review concluded that the council's Service fully conformed with all the requirements of the Public Sector Internal Audit Standards (PSIAS). Members recognised the hard work undertaken by the peer review staff and requested that a letter be sent out to all the staff involved with the peer review to show appreciation and thanks for the work they had undertaken.

Following queries, assurances were made that any performance issues were addressed with agreed action plans and if no solution could be reached, this would be brought back to the Governance Committee.

RESOLVED – That the Internal Audit Annual Report for 2017/18 be noted.

18.G.26 Annual Governance Statement

The Director of Policy and Governance submitted a report presenting the draft Annual Governance Statement (AGS) to the Governance Committee for review and approval. The draft AGS was properly drafted in accordance with the guidance issued by CIPFA and SOLACE to be published alongside the annual financial statements once approved.

The committee were advised that the assessments which informed that preparation of the AGS demonstrated that the Council had strong governance arrangements with few identified areas for improvement.

The report highlighted that governance issues regarding information management (including GDPR) and risk management, previously agreed for improvement for the year 17/18, had been carried over for continuation in 18/19. Five further areas for improvement had been identified; these were issues that had been highlighted as needing improvement, the issues were not in themselves significant. They were areas which suggested partial compliance with requirements or where there was insufficient evidence to demonstrate full compliance. There were no areas of significant non-compliance by the Council. Subsequently, the group were satisfied that there were no significant issues and assurances were made that steps would be made in the coming year to address the issues to further enhance to Council's governance arrangements.

Following member queries, an outline of the appointments process for the Scrutiny Committee was provided. It was agreed that the Committee would write a letter to the Chair of the Scrutiny committee encouraging more involvement in the Task Groups.

RESOLVED – That the draft Annual Governance Statement be approved and referred to the Executive Leader of the Council and the Chief Executive for signature.

18.G.27 Commercial Health Check

The Director of Policy and Governance submitted a report to provide Members with an overview of Grant Thornton's commercial health check report and included a self-assessment of the Council's commercial activities using Grant Thornton's 'beyond compliance' commercial health check diagnostic tool.

It was reported that most, if not all councils were exploring new ways of generating sustainable income streams in order to ensure their continued financial viability. Based on key findings and trends, Grant Thornton commissioned their commercial health check report which was published in late 2017. Officers subsequently carried out a self-assessment based on Grant Thornton's diagnostic tool.

The commercial health check self-assessment undertaken included four sections of consideration; outcomes based MTFS planning, audit and assurance framework, stakeholder engagement and corporate performance. Overall, the self-assessment demonstrated that a strong approach to commercial activities was being undertaken by the Council. The Council's transformation programme and commercial activities were closely aligned to the Council's long term objectives, the transformation board and corporate budget planning process ensured numerous opportunities to prioritise, monitor, and consider new and existing commercial opportunities. In addition, there was close working with both internal and external audit and the governance committee.

The report highlighted some areas which needed to be developed and strengthened further such as exploring alternative delivery models and further developing commercial skills and culture of our workforce. These development areas had already been identified by the senior management team and actions agreed to address them.

In terms of financial results and commercial impact, the scoring acknowledged the success of the purchase of Market Walk in terms of financial results, but also acknowledged the risk and took a cautious approach with the projected returns of the projects still in progress. Similarly, the aim of the current projects was that they should

also deliver positive social impacts, and that clear targets be identified for projects such as the Market Walk extension, but these were still to be delivered, and it was suggested that a more structured approach to social impact could be useful.

The External Auditors advised that this was a strong assessment of the council that provided an efficient summary and a good starting point on which to develop. Officers reassured Members that early consultation indicated that the council was working well within their boundaries and this would be closely monitored.

Members welcomed the report and recognised that commercialisation was important in the changing financial situation. It was advised that an action report would be produced for the Governance Committee scheduled for September and a review of current partnership working would be considered.

RESOLVED – That the report be noted.

18.G.28 Strategic Risk Update Report

The Director of Policy and Governance submitted a report to the Governance Committee to provide Members with an updated Strategic Risk Register (SRR) which included 15 strategic risks to the Council, including action in progress as well as new actions planned to further mitigate identified risks.

Members were advised that the majority of risk categories remained stable with six of these identified as 'high risk', seven 'medium risk' and two 'low risk'. The majority of risk levels remained static as mitigating actions ensured that the risks had been effectively managed and had therefore not escalated across the year.

Two risk levels had been increased to reflect the large levels of reliance upon ICT development and capacity required to undertake this work and reflect the Council's reliance on partnership working to support and sustain its transformation agenda. One risk level had been lowered due to the strong controls in place to ensure we change and adapt to react to changing service demand.

Members were reassured that the ICT department was in a period of transition and an action plan was in place to address this. The council was closely monitoring Shared Services developments and officers ensured that a joint committee meeting was scheduled to agree a plan moving forward. An update would be provided at the next Governance Committee meeting. Members requested that the failure of future Shared Service arrangements also be considered as a risk in addition to the existing arrangements.

It was reported that good progress had been made over the last year with regards to the GRACE system and its use. Directors had been assigned to each risk, rather than SMT as a whole, to make the best use of the GRACE system and alerts and ensure that each risk is owned at a senior level.

A recent internal audit exercise highlighted some key actions for improving the way in which we deal with strategic risk within the organisation. Recommendations included risks being incorporated more effectively within Council Committee report templates and risks being reported (by exception) to Executive Cabinet on a quarterly basis. The review also recommended that the Strategic risk register be reviewed more frequently

by SMT and this recommendation would be taken forward from Q1 2018/19 when SMT would review the register on a quarterly basis.

RESOLVED – That members noted the strategic risks, controls in place and actions planned to further mitigate strategic risks as set out in the report.

18.G.29 RIPA Application Update

There had been no RIPA applications made.

Chair

Date

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Governance Committee work programme 2018/19

30 May 2018

Report	Officer
Draft Statement of Accounts 2017/18	James Thomson
Charity and Trust Accounts 2017/18	James Thomson
Outcome of Cotswold House Homes England Audit and Future Audit of Primrose Gardens	Rebecca Huddleston
External Audit Progress Update	Grant Thornton
Internal Audit Annual Report 2017/18	Dawn Highton
Annual Governance Statement	Chris Moister
Commercial Health Check	Rebecca Huddleston
Strategic Risk Update Report	Kate Howcroft
RIPA Application Update	Chris Moister

25 July 2018

Treasury Management Annual Report 2017/18	Michael Jackson
Statement of Accounts 2017/18	Michael Jackson
External Audit Findings Report 2017/18	Grant Thornton

21 November 2018

Proposed Format of the Capital Strategy Report	James Thomson
Outcome of Primrose Gardens Homes England Audit	James Thomson
Treasury Management Activity Mid-Year review 2018-19	Michael Jackson
Internal Audit Progress Report as at end September 2018	Garry Barclay
Strategic risk update report	Kate Howcroft

23 January 2019

Standards Annual Report	Chris Moister
Internal Audit Progress Report as at end December 2018	Garry Barclay

20 March 2019

Internal Audit Plan 2019/20	Garry Barclay

