



**Minutes of Governance Committee**

**Meeting date Wednesday, 24 November 2021**

**Committee Members present:** Councillor Debra Platt (Chair), Councillor Hasina Khan (Vice-Chair) and Councillors Mark Clifford, Karen Derbyshire, Alan Platt, Jean Sherwood, Charlotte Fitch (Independent Person) and Peter Ripley (Independent Person)

**Committee Members present virtually (non-voting):** Councillor Julia Berry

**Officers:** Gary Hall (Chief Executive), Chris Moister (Director of Governance), Louise Mattinson (Director of Finance), Tony Furber (Principal Financial Accountant), James Thomson (Deputy Director of Finance), Dawn Highton (Service Lead Audit and Risk), and Matthew Pawlyszyn (Democratic and Member Services Officer)

**Apologies:** Councillors Sarah Ainsworth and Gordon France

**Other Members:** Michael Green (Grant Thornton UK LLP) and Georgia Jones (Grant Thornton UK LLP)

**21.G.41 Minutes of meeting Wednesday, 28 July 2021 of Governance Committee**

The minutes of the meeting Wednesday, 28 July 2021 of the Governance Committee were approved as a correct record.

**21.G.42 Declarations of Any Interests**

No declarations of interest were made by Members, but Georgia Jones, external auditor from Grant Thornton was happy to leave for Item 4 "Appointment of External Auditors" if requested by Members.

**21.G.43 Updated 19/20 Audit Findings Report**

Michael Green, external auditor from Grant Thornton presented the report to Members. He highlighted that there had been no change to the report from July 2021 that related to the financial statements.

The value for money work had been completed, the work completed was under the previous audit practice, which provided a binary judgement of qualified or unqualified which considered three core criteria, informed decision making, sustainable resource deployment and working with partners and other third parties.

As part of the risk assessment, two significant risks were identified, the first was financial sustainability and the second was the purchase of Logistics House.

There was satisfaction with the arrangements in place that related to financial sustainability. It was recognised that the purchase of Logistics House was carried out on a timetable. It was emphasised that it was not said that the purchase was wrong or that there were any concerns with the investment that the Council made.

Reported findings centred on the arrangement to support the decision-making process with suggested improvements to ensure all Members received relevant information, in addition to management summaries provided to ensure informed decision making.

The recommendations had several key areas.

- 1) The decision to purchase Logistics House was supported by a robust and full business case which followed good practice models. However, the business case was not underpinned by robust risk management. The business case should have been supported by robust due diligence, that used both historical and predicted information. The due diligence engaged by the Council could have been enhanced.
- 2) The Council demonstrated good practice with informal meetings and engaged with Members as part of the decision making process, however, it could have been enhanced further with record keeping, minutes, and details of questions and challenges published for all Members in advance of the decision making process.
- 3) It was recommended that Members had access to all information to support a decision. This should include all relevant sensitive data. The Council's property advisor Gerald Eve provided a purchase report that when taken to Council was redacted at the request of Gerald Eve without any formal agreement of non-disclosure. As the decision was made in closed session of Council, Members should have had the information to promote transparency.
- 4) Papers to the Council recommended a Wholly Owned Subsidiary that would hold the property on behalf of the Council. Members should have been made aware of other options. Seeking third party legal advice was advised.

It was on that basis that it was proposed to issue a 'qualified except for opinion' on the value for money conclusion.

In response to Members, Michael clarified that the recommendations made on agenda pages 36 and 37, put into practice would prevent the same concerns being repeated.

Chris Moister, Director of Governance added that the Council was a learning organisation that strived to learn and improve, but did not completely agree with the opinion, but understood there were areas and aspects that could be improved upon.

Michael welcomed any additional questions or queries from Members and were organising a training session for Members of the Governance Committee.

**Decision – The report was noted.**

#### **21.G.44 Appointment of External Auditors**

Dawn Highton, Service Lead Audit and Risk explained the purpose of the report and that the Council had three options available for appointing its external auditor from 2023 onwards. It was recommended that the Council took option 3, opting into the PSAA Sector Led National Scheme. It would allow the Council to work within regulations and gain experience while contracts and fee setting would be managed.

Taking the approach alone would be resource intensive with the same outcome.

**Decision – Members voted to approve officer recommendations unanimously.**

#### **21.G.45 Internal Audit Interim Report as at 29 October 2021**

Dawn Highton explained that the report covered work that was carried out from April to October 2021.

The majority of the work gained an assurance rating of substantial or adequate. Only the review of 'Primrose Gardens' was given limited assurance. A full report was provided to all Governance Committee Members that outlined the identified issues, reasons, and actions in place to make the improvements with time scales. All but one action to be delivered by the end of February 2022.

In response to a request from Members, Dawn understood Primrose Gardens was well run from a resident perspective, identified issues related to repairs and maintenance. There were recommendations in place to review policies in a timely manner with an annual review. Nine points were outstanding, with one to be completed urgently in November 2021.

Appendix B contained performance indicators which highlighted a slight delay with the delivery of the Audit Plan. Recruitment timescales were underestimated. The implementation of management actions had underperformed, but a systematic approach had been implemented with monthly reports delivered to directors. As of October 2021, improvements were tangible.

**Decision – The report was noted.**

#### **21.G.46 Treasury Management Activity Mid-Year Review 2021/22**

Tony Furber, Principal Financial Accountant presented the Treasury Management Activity Mid-Year Review 2021/22.

The cash balance at the start of September 2021 was short of £10 million which was higher than usual for Chorley, levels were usually between £5 million and £6 million, but it reflected the continuation of unusual circumstances.

Average earnings for the half year was 0.06%, which was a credible result given the unusual circumstances.

Link Asset Services abandoned their usual recommended target earning rate and settled on a flat standard of 0.1%. The Council's portfolio was small and the 0.1% was based on the assumption of deposits averaging three months. The nature of the Council's cashflow did not correspond and in the context 0.06% was rather good.

Interest rates appeared to be heading towards a more recognisable normal with expectation that the bank rate will rise before Christmas, with a steady rise to 1.25% in the coming years.

No external borrowing occurred in the first half of the year, but likely in the second half.

**Decision: The report was noted**

#### **21.G.47 Governance Committee Guidance and Effectiveness Review**

Dawn Highton explained that in 2018, CIPFA issued guidance on good practice. A self-assessment was completed with the Chair of the Governance Committee included in Appendix A of the report.

The self-assessment demonstrated that the committee was largely operating in line and meeting best practice. There were 5 areas identified that could be improved.

The self-assessment recommended;

- The self-assessment was completed annually and presented to the Governance Committee.
- That the Committee should consider appointing an independent person with audit or financial experience.
- A short survey to be developed by the Service Lead Audit and Risk in conjunction with the Chair and issued to stakeholders to assess the value of the Committee to the Council.
- Training to be provided to address the needs of the committee when required.

Appendix B contained the Terms of Reference, and it detailed how the Committee was meeting the requirements in its operation.

Appendix C was the draft terms of reference to be adopted. The aspect of standards would be unchanged. The report recommended that the updated Terms of Reference was submitted to Council for approval.

It was confirmed that the self-assessments should have started in 2018 but would now be completed annually.

Dawn was happy to consider suggestions from Independent Person Peter Ripley which included the Committee's role in selecting and recommending Independent Persons, the annual standards complaints report and work of external bodies relating to standards.

Members raised that they would like to see additional information relating to the risks with the Terms of Reference, particularly related to the Council's management of lockdown and Covid-19, in addition to the risks in safeguarding.

It was stated that with safeguarding, the Council self-assessed, with results used to assist the County Council. Within the Audit Plan, safeguarding would be conducted in quarter 1 of 2022.

**Decision: Members Unanimously agreed for the item to return in January following amendments raised during discussion.**

**21.G.48 RIPA Application Update**

There were no RIPA Applications made.

**21.G.49 Work Programme**

James Thomson, Deputy Director of Finance questioned if the Governance Committee wished for the Capital Strategy as it would be taken to Council as part of the budget it was decided to remain on the Work programme, potentially examining it prior to Council.

**21.G.50 Chorley Borough Council Audit Progress Report and Sector Update**

Georgia Jones, external auditor, Grant Thornton provided an update to the Audit progress, and noted that a correction on agenda page 110 should read November instead of July.

The 2020/21 Financial Statement Audit had commenced and progressed well, work was undertaken with Officers and the Finance Team. Members could expect the Audit Findings at the Governance Committee in January 2022.

The 2020/21 value for money work was underway with a time scale of three months after the opinion. The recommendations made in the 2019/20 audit would be picked up to provide assurance around the process. There was to be a wider scope in value for money work with more in depth with arrangements across the Council which would result in a fuller report that featured findings and recommendations.

Other areas reported included certification of housing benefit claims, due to start within a month, with a view to report at the end of January.

Meetings with the senior management team scheduled to share progress update and share issues.

**Decision – The report was noted.**

Chair

Date