

Governance Committee

Wednesday, 24th November 2021, 2.30 pm
Council Chamber, Town Hall, Chorley and YouTube

Agenda

Apologies

- | | | |
|---|--|-----------------|
| 1 | Minutes of meeting Wednesday, 28 July 2021 of Governance Committee | (Pages 3 - 8) |
| 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 | Updated 19/20 Audit Findings Report

To receive and consider the report from external auditor Grant Thornton | (To Follow) |
| 4 | Appointment of External Auditors

To receive and consider the report of the Director of Governance. | (Pages 9 - 12) |
| 5 | Internal Audit Interim Report as of 29 October 2021

To receive and consider the report of the Director of Governance. | (Pages 13 - 28) |
| 6 | Treasury Management Activity Mid-Year Review 2021/22

To receive and consider the report of the Director of Finance. | (To Follow) |
| 7 | Governance Committee Guidance and Effectiveness Review

To receive and consider the report of the Director of Governance. | (Pages 29 - 48) |
| 8 | RIPA Application Update

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

9 **Work Programme**

(Pages 49 - 50)

To receive and consider the work programme for the Committee.

10 **Any urgent business previously agreed with the Chair**

Gary Hall
Chief Executive

Electronic agendas sent to Members of the Governance Committee Councillor Debra Platt (Chair), Councillor Hasina Khan (Vice-Chair) and Councillors Sarah Ainsworth, Julia Berry, Karen Derbyshire, Gordon France, Alan Platt, Jean Sherwood, Charlotte Fitch (Independent Person) and Peter Ripley (Independent Person).

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

In addition to the financial statements, a Value for Money Audit was performed. In 2019/20, two significant risk areas were identified; namely financial sustainability and the purchase of Logistics House.

The work on financial sustainability was concluded and there were no findings or issues to report whilst the work on the latter was still in progress.

No statutory duties had been exercised by the auditor.

The audit was performed to a materiality level of over £1,000,000, whilst any errors or misstatements identified over £51,000, and any errors within the remuneration disclosure of over £20,000, would be reported back to the committee. There were no errors in either area.

The significant audit risk that was identified for the year was Covid-19. Within the report, the impact of the pandemic was detailed, and procedures performed in response to this outlined. There were no other issues or concerns arising from Covid-19 to report.

A standard risk that featured in all audits performed was that of management override of controls, which are adjustments made by management that could potentially manipulate the financial statements. The auditors performed numerous tests against the risk and there were no matters or concerns to raise to the Committee.

A further risk was around the improper revenue recognition. Due to the Council's income stream, this was easy to verify and difficult to manipulate in a fraudulent manner. Multiple procedures were performed, and no issues or matters required bringing to the Committee's attention.

It was highlighted that the delay in producing the Financial Statements for 2019/20 was due to delays and issues in the valuation of land and buildings. There were some material adjustments identified and the value of properties had reduced by £10 million. The valuer had valued these at cost, instead of the CIPFA code guidance which requires valuation based on assets in use. The approach was challenged, and the Council engaged a new valuer who delivered the revised figure that resulted in the adjustment.

There was significant risk around the valuation of the net pension liability, this was underpinned by numerous estimates, judgments, and assumptions with a greater risk of error than other areas of the Financial Statements. Assurances were received from the Lancashire Pension Fund and the pension fund actuary, and no issues or misstatements were identified other than the material uncertainty.

Logistics House was a focal area of the audit. The property was purchased by the Council for £34 million during the 2019/20 financial year. The initial valuation of the property reflected a reduction in value from the purchase price. Management challenged that reduction, and the valuation was re-performed, following which the value was increased. This was verified by a further external valuer.

Originally, Logistics House was classified as an operational asset. This was challenged on the basis that the asset was purchased to secure future income streams and was more appropriately an investment property. It was reclassified in the amendment financial statements.

The Value for Money audit work was still ongoing.

The fees for the 2019/20 audit would be finalised in due course as the additional work was ongoing and then the auditors would discuss this with management before coming back to Committee with this, to be formally approved as a Public Sector Audit Appointment.

Decision: The report was noted.

21.G.33 2019/20 Statutory Accounts

Louise Mattinson (Director of Finance) presented the Statement of Accounts for 2019/20. Prior to the Governance Committee, Members underwent training that explained the accounts in further detail. The Statement of Accounts were expected to have been published 30 November 2020 but due to delays experienced, e.g. in obtaining valuations of property, this had not been achieved.

It is a legal requirement to produce, present and approve the accounts; this demonstrates the council's accountability to the public, residents, businesses and central government.

One adjustment that has yet to be incorporated into the financial statements presented, relates to the rental income through to the 31 March 2020 in respect to Logistics House; this was agreed by the Committee.

Decision:

1. That the Committee should approve the audited Statement of Accounts for 2019/20 (Appendix A), subject to any amendments which in the opinion of the Director of Finance (Section 151 Officer) are minor in nature, such minor amendments to be defined as non-material to the financial position of the authority. The Director of Finance will exercise this delegation in consultation with the Chair of Governance Committee. In the event that the Director of Finance is of the opinion the amendments are material to the financial position of the authority, Governance Committee will be reconvened to approve the new Statement of Accounts.

2. That the Committee should authorise the Chief Executive and Chair of Governance Committee to sign the Letter of Representation (Appendix B).

21.G.34 Charity and Trust Account

There are 5 Charity and Trust accounts that the Council is responsible for; four have a small balance with minimum assets, the lowest at £1,700 and the highest at £5,400. The one exception is the account 'Proceeds of sale from the Free Library' which has assets of £130,000. Very few transactions took place during the year.

Decision: That the accounts presented in Appendices A to E be approved

21.G.35 Management Responses to the External Auditors Planning Inquiries

Louise Mattinson (Director of Finance) explained that prior to Grant Thornton producing their Audit Plan for the 2020/21 Accounts audit, the Council was asked a series of questions to inform the process.

Questions covered events, issues, transactions or circumstances that would have an impact on the accounts for 20/21. It was noted that Covid-19 had a significant impact, not just financially but on the entire operation and governance of the Council.

The contents of the Appendices A and B were discussed, which contained the questions raised by the auditors and the responses provided by Management, along with an overview of the key assumptions made in the accounts and the basis of these.

Decision: The Governance Committee, reviewed and approved the management responses to the auditors inquires, as attached.

21.G.36 2020/21 Audit Plan

The Committee welcomed Georgia Jones (Grant Thornton). She confirmed to the Committee that she was taking over as Engagement Lead for 2020/21.

She outlined the identified risks and the work proposed to mitigate the risks.

It was possible that the Council would have to prepare group accounts as the Council owned a property company. An assessment of the transactions would need to be completed to assess its effect on the Council Accounts. If the impact was material, group accounts would be necessary.

Identified risks were similar to 2019/20. These included management override of controls, which is a mandatory risk to be reviewed under auditing standards, valuation of land and buildings including investment properties, and the valuation of net pension fund liability.

The materiality levels are similar to last year.

2020/21 included a new auditing standard which focused on accounting estimates which increased the focus on this area of work to gain assurance. This is to ensure that all estimates are reasonably based on evidence and assessment by management.

Other areas, included in the audit scope are the narrative report and the governance statement.

The Value for Money audit work is not yet complete for 19/20 but once this is done, the results of the audit will allow the risk assessment to be reassessed for 2020/21. If any significant weakness are discovered, the Committee will be informed.

Decision: Report was noted.

21.G.37 Treasury Management Annual Report 2020/21 And Quarter One Monitoring 2021/22

Tony Furber (Principal Financial Accountant) explained that the 2020/21 was a year unlike any other. The base interest rate was 0.1%. Cash flow patterns were unusual due to the inflow and outgoings of £'millions for Business Support Grants.

Due to the unusual cash flow and low interest rates, the Council possessed more cash balances than usual however there were fewer opportunities to invest it, with more competition to secure such investments. The situation was common for nearly all Councils.

Chorley Council typically keep money for a short amount of time which increased the difficulty to meet the earnings target. In 2019/20, the target was 0.75% with an actual result of 0.63%. The target for 2020/21 was 0.1% and the Council came close at 0.09%. The average daily balance was £30.8mill with a total of £12,740 interest earned. Base interest rates were unlikely to be changed for the foreseeable future.

The pandemic impacted other areas covered in the report. The Capital Programme was significantly impacted with a total spend of £9mill for the year and did not reach levels expected. Of the £9mill, £7mill was directly financed from capital receipts, grants and revenue contributions, leaving £2mill of underlying borrowing requirement. The Council did not enter into any further external long-term borrowing.

Upon question from Members, Tony confirmed that there was not a method of refinancing existing borrowing without paying a premium.

Decision: The report was noted.

21.G.38 Strategic Risk Update 2021-22

Howard Anthony (Performance and Partnerships Team Leader) presented the Strategic Risk Update. The document had been updated with the latest assessment of the risks facing the council. The revised document totalled 19 high risks and 7 medium level risks. Of the 19 high level risks, 3 were new.

It was explained that the table at paragraph 15 included red lettering to indicate new narrative, and a strike through identified those words removed.

Decision: The report was noted.

21.G.39 RIPA Application Update

No RIPA Applications were made.

21.G.40 Work Programme

Decision: The Work Programme was noted.

Chair

Date

Report of	Meeting	Date
Director of Governance	Governance Committee	Wednesday, 24 November 2021

Appointment of External Auditors

Is this report confidential?	No
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Is this decision key?	No
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Purpose of the Report

1. The purpose of this report is to set out the options available to the Council for the appointment of an external auditor for the period 2023/24 to 2027/28.

Recommendations to Governance Committee

2. The committee is asked to recommend to Council to opt into the Public Sector Audit Appointments national scheme for the appointment of the external auditor.

Corporate priorities

3. The report relates to the following corporate priorities:

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 and future arrangements

4. A relevant authority must appoint an external auditor to audit its accounts. The Council can either appoint its external auditor directly or an "appointing person" can make the appointment on the Council's behalf. The only "appointing person" is the Public Sector Audit Appointments Limited (PSAA) who are a not for profit organisation.

5. Following the abolition of the Audit Commission, the Council took advantage of the national collective scheme administered by the PSAA for the appointment of its external auditors for the five years commencing 1st April 2018.
6. The second appointing period is to span the five consecutive financial years commencing 1 April 2023 and cover the audit of account for the financial years 2023/24 to 2027/28.
7. The council is required to appoint an external auditor by 31 December 2022 to commence 1 April 2023. There are three options available for appointing its external auditor:

Option 1

Establish its own independent auditor panel under part 3, section 9 and schedule 4 of the Local Audit and Accountability Act 2014. The panel must be made up of a majority, or of wholly independent members and must be chaired by an independent member. It would therefore be necessary to undertake a selection process to appoint the panel, whose members may be remunerated. The panel's role would be to advise the council on the selection of its external auditor and therefore to oversee a procurement process.

Option 2

Establish a joint independent auditor panel to carry out the function on behalf of two or more councils which would therefore have to agree on the selection criteria firstly for the panel's members and then for the external auditor, and then oversee a procurement process.

Option 3

Opt into PSAA's sector led national scheme. Legislation requires a resolution of Full Council if a local authority wishes to opt into the new national arrangement. No significant further action would then be required by the Council.

8. On 22 September 2021 PSAA invited all principal local government bodies to become opted-in authorities. Eligible bodies have until 11 March 2022 to formally respond and accept the opt-in invitation.
9. The national scheme is considered to represent the best option as the Council will benefit from PSAA's experience of working within the context of the Regulations to appoint auditors, manage contracts with audit firms, setting and determining audit fees. It avoids the necessity to establish an independent auditor panel and undertake a procurement exercise and assures the independence of the auditor's appointment for the council.

Comments of the Statutory Finance Officer

10. The appointment of an external auditor via the Public Sector Audit Appointments national scheme is consistent with current practice.

Comments of the Monitoring Officer

11. The recommendation will demonstrate best value in the appointment of external audit.

Report Author:	Email:	Telephone:	Date:
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Report of	Meeting	Date
Service Lead Audit and Risk	Governance Committee	Wednesday, 24 November 2021

Internal Audit Interim Report as at 29th October 2021

Is this report confidential?	No
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Is this decision key?	No
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Purpose of the Report

1. The purpose of this report is to advise members of the work undertaken in respect of the Internal Audit Plan from April 2021 to October 2021 and to give an appraisal of the Internal Audit Service's performance to date.

Recommendations to Governance Committee

2. Members are asked to note the position with regard to the Internal Audit Plan.

Corporate priorities

3. The report relates to the following corporate priorities:

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 to the report

4. The Internal Audit Plan for 2021/22 was approved by this Committee at its meeting in April 2021 and provides for 489 days of audit work.

- This is the first interim report for 2021/22 and covers the period between 1st April and 29th October 2021.

Internal Audit Reports

- Appendix A** provides a snapshot of the overall progress made in relation to the 2021/22 Internal Audit Plan, indicating which audits have been completed and their assurance rating, those that are in progress and those that have yet to start. Appendix A also shows the time planned and actually spent on individual
- The following work has been completed between April and October 2021:

Name of Review	Assurance Rating	Comments / Key control findings
Annual Governance Statement	Not applicable	Proactive input was provided in collating information to inform the AGS Action Plan.
COVID Post Payment Assurance	Not applicable	<p>Internal Audit provided documentation to the Department for Business, Energy and Industrial Strategy (BEIS) to evidence assurance checks undertaken in relation to 15 cases. This included a sample of grants paid from each of the following schemes: Covid-19 Small Business Grant, Retail, Hospitality and Leisure Grant and Local Authority Discretionary Grant Funds.</p> <p>Internal Audit have also reviewed all the 31 matches identified by the National Fraud Initiative (NFI) in relation to the payment of the above grants. There are queries arising which are currently being investigated with a view to deciding if any further action is necessary.</p>
COVID Pre Payment Assurance	Not applicable	Internal Audit have reviewed new and existing procedures to provide assurance that they are robust, meet Government requirements and measures are in place to ensure fraudulent activity is minimised for the Restart Grant, Test & Trace and the Additional Restriction Grant.
Review of Market Walk	Substantial	This was a risk-based review and only minor improvements are required to strengthen the current arrangements in place.

Primrose Gardens	Limited	A copy of the full report has been made available for Governance Committee members.
Disabled Facilities Grants	To follow	All fieldwork has been completed for this risk-based review. The report has been drafted and is currently being finalised and will be included in the next interim report to the committee in Jan 22.
Performance Management	Adequate	<p>This review focussed on corporate performance indicators. The issues identified during the review demonstrate that there is a need for greater oversight of the data collection system by the responsible officers, in conjunction with the authorising officers.</p> <p>Due to the actions already in progress by the Performance & Partnership Team only a couple of additional improvements are required to strengthen the current control arrangements</p>
Compliance with Contract Procedure Rules (CPRs)	Substantial	From the work undertaken Internal Audit was able to establish that there was a high level of compliance with the Council's CPRs and evidence was available to support that the essential processes within the procurement cycle had been followed.
Income Collection	To follow	All fieldwork has been completed for this risk-based review. The report has been drafted and is currently being finalised and will be included in the next interim report to the committee in Jan 22.

Control Rating Key

Full	the Authority can place complete reliance on the controls. No control weaknesses exist.
Substantial	the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.
Adequate	the Authority can place only partial reliance on the controls. Some control issues need to be resolved
Limited	the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist

8. For all the reviews completed to date, management have accepted all the findings and the agreed actions in these reports will be followed up and reported on at future meetings of this committee.

Internal Audit Performance

9. **Appendix B** provides information on Internal Audit performance as at 29th October 2021. All indicators with the exception of the satisfaction rating percentage (assignment level) are below target for the following reasons:
 - Percentage of planned time used and percentage of audit plan completed. Both of these indicators are slightly below target as the recruitment exercise for the two additional posts took longer than anticipated. However, the Internal Audit team is now fully resourced.
 - Percentage of agreed actions implemented by management. Whilst the percentages are low, the actual numbers the percentages are derived from are small. Furthermore, members will recall that a systematic monitoring system was not in place to ensure the timely implementation of agreed management actions resulting in a significant backlog of actions. This system has now been introduced with each Director receiving a detailed monthly report of all outstanding Internal Audit actions within their Directorate.

Internal Audit Developments

10. The following are some of the other developments impacting upon Internal Audit.

ISO 9001:2015

11. Members were informed at the meeting in April, that Internal Audit would be seeking the re-accreditation of the ISO 9001 certification for its Quality Assurance System. Following a significant amount of work to review and update our working practices, the first surveillance visit was held recently which confirmed that the Service is on track to achieve the re-accreditation in December 2021. This clearly demonstrates that the Audit Team is seeking improved and more efficient working practices to maintain a high quality service.

Quality Assurance & Improvement Programme (PEER REVIEW)

12. 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”.
13. Members will recall that the Internal Audit Service has to provide confirmation to the Governance Committee on an annual basis that the requirements of the Public Sector Internal Audit Standards (PSIAS) are being complied with. This is usually achieved via the completion of an annual self-assessment but in addition the Council needs to arrange an independent external assessment at least once every 5 years. In Lancashire this is delivered via a programme of reciprocal peer reviews under the auspices of the Lancashire District Councils Audit Group.

14. We have recently completed the review of the Internal Audit Service of Blackburn with Darwen Council in conjunction with Burnley Borough Council. The reciprocal arrangement means that the review of Burnley Borough Council and the verification of our own self-assessment will take place during 22/23.

There are no background papers to this report

Appendices

Appendix A – Internal Audit Plan

Appendix B - Performance Indicators as at October 2021

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Appendix A

Internal Audit Plan - CBC	QTR	Planned days	Actual days	Comments
CORPORATE AREAS				
Annual Governance Statement	1	20	12.6	Complete
Anti-Fraud & Corruption	ALL	5	1.2	on-going
NFI	ALL	5	5	on-going
COVID support work	ALL	52	17.1	on-going
Programme Board	ALL	5	0.3	on-going
CUSTOMER & DIGITAL (Asim Khan)				
Customer Services				
Council Tax	2	15	2	In progress
Business Rates	2	15	5.4	In progress
Sundry Debtors	2	15	6.6	In progress
Project support	2	5	0	On-going
ICT				
Review 1	2	15	0	To commence Q4
Review 2	4	10	0	To commence Q4
Streetscene / Neighbourhoods				
Plant inventories / contract management	3	15	0	To commence Q3
PLANNING & DEVELOPMENT (Jonathan Noad)				
Planning / Development Control				
Section 106 agreements	4	15	0	To commence Q4
Community Infrastructure Levy	4	15	0	To commence Q4
COMMERCIAL & PROPERTY (Mark Lester)				
Commercial & Assets				
Commercial and Assets	4	10	0	To commence Q4
Market Walk	1/2	15	23.4	Complete
Primrose Garden	2	15	16.3	Complete
Leisure Centres	2	15	0.5	in progress
Tatton Extra Care Scheme	ALL	5	3.4	on-going
COMMUNITIES (Jennifer Mullin)				
Safeguarding (incl Prevent arrangements)	4	10	0	To commence Q4

INTERNAL AUDIT PERFORMANCE INDICATORS AS AT 29th OCTOBER 2021

	Indicator	Audit Plan	Target 2021/22	Target to Date	Actual to Date	Comments
1	% of planned time used	CBC	90%	45%	37%	Slightly below target
2	% audit plan completed	CBC	90%	33%	26%	Slightly below target (2 x reviews at draft report stage)
3	% satisfaction rating (assignment level)	CBC	90%	90%	97%	Target exceeded
4	% of agreed actions implemented by management	CBC	90%	90%	44%	Below target
		SS	90%	90%	65%	

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Report of	Meeting	Date
Service Lead Audit and Risk	Governance Committee	Wednesday, 24 November 2021

Governance Committee Guidance and Effectiveness Review

Is this report confidential?	No
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Is this decision key?	No
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Purpose of the Report

1. To evaluate the Council's compliance with the Chartered Institute of Public Finance & Accountancy (CIPFA) guidance "Audit Committees – Practical Guidance for Local Authorities and Police 2018."
2. Considers the updated Terms of Reference prior to submission to full council for approval.
3. To present details of the review of the self-assessment of good practice contained within the guidance.

Recommendations to Governance Committee

4. That the Committee:
 - Notes the report;
 - Considers the updated Terms of Reference prior to submission at full council for approval;
 - Considers and comments on the self-assessment of good practice and subsequent actions.

Corporate priorities

5. The report relates to the following corporate priorities:

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 to the report

- 6. The purpose of an Audit / Governance Committee is to provide those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.
- 7. CIPFA have issued guidance “Audit Committees – Practical Guidance for Local Authorities and Police 2018”. This sets out the functions, operations, roles and responsibilities of audit / governance committees and represents best practice.
- 8. A key aspect of the guidance is evaluating and developing the Committees effectiveness. The guidance states that “the committee’s effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority’s business. Evidence of effectiveness will usually be characterised as influence, persuasion, and support. A good standard of performance against recommended practice, together with a knowledgeable and experience membership are essential requirements for delivering effectiveness.”

Self-Assessment of Good Practice

- 9. The guidance incorporates a Self-Assessment of good practice which has been completed and discussed with the Chair of the Committee. Details of the assessment are included at **Appendix A**.
- 10. The self-assessment contains 5 actions for improvement as detailed below:

Topic	Comments
Terms of Reference	Included with this report
Self Assessment	The self assessment will be completed and presented to the Governance Committee annually
Independent person	The Committee should consider the appointment of an independent person to support its work. The appointment of an independent person was included in Sir Tony Redmond’s review of financial reporting and auditing in local government and is anticipated that further guidance from CIPFA regarding an independent person will be issued over the coming months.
Feedback	A short survey will be developed by the Service Lead Audit and Risk in consultation with the Chair of the Governance

	Committee
Training	The training needs of the Committee will be kept under review and sourced as appropriate.

Terms of Reference

- 11. The CIPFA guidance also incorporates a model terms of reference. Internal Audit have carried out an assessment of the new terms of reference and have identified that the Governance Committee is already largely operating in line with it. The assessment is shown at **Appendix B**.
- 12. Included within the current terms of reference are some specific requirements for Chorley Council and these will be retained. In 2012, the Standards Committee merged with the Audit Committee to become the Governance Committee and the current terms of reference was amended to reflect the additional responsibilities. This aspect of the terms of reference will remain unchanged. The revised Terms of Reference is included at **Appendix C**.

Background documents

CIPFA Audit Committees – Practical Guidance for Local Authorities and Police 2018

Appendices

Appendix A - Self Assessment of Good Practice October 2021

Appendix B – Model terms of reference assessment

Appendix C – Draft Terms of Reference

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Chorley Council – Self Assessment of Good Practice October 2021

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement. Where an audit committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

	Good practice questions	Yes	Partly	No	Comments	Actions
	Audit committee purpose and governance					
1	Does the authority have a dedicated audit committee?	x			Governance Committee takes on the functions of an Audit Committee	N/A
2	Does the audit committee report directly to full council? (applicable to local government only)	x			The Governance Committee provide regular reports presented to full Council	N/A
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?		x		See comments in body of report.	Governance Committee to consider revised Terms of Reference
4	Is the role and purpose of the audit committee understood and accepted across the authority?	x			The role and purpose of the Governance Committee form part of member training. The terms of reference for the Governance Committee form part of the Council's Constitution	N/A
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	x			The Governance Committee provide assurance on the adequacy of internal control, risk management and the integrity of financial reporting and the annual governance processes.	N/A
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?		x		The self-assessment of good practice has been completed for 2021.	The self-assessment will be undertaken and presented to the committee annually

	Good practice questions	Yes	Partly	No	Comments	Actions
	Functions of the committee					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?					
	<ul style="list-style-type: none"> • Good governance 		x		See comments in body of report.	Governance Committee to consider revised Terms of Reference
	<ul style="list-style-type: none"> • Assurance framework, including partnerships and collaboration arrangements 		x			
	<ul style="list-style-type: none"> • Internal audit 		x			
	<ul style="list-style-type: none"> • External audit 		x			
	<ul style="list-style-type: none"> • Financial reporting 		x			
	<ul style="list-style-type: none"> • Accountability Arrangements 		x			
	<ul style="list-style-type: none"> • Risk management 		x			
	<ul style="list-style-type: none"> • Value for money or best value 		x			
	<ul style="list-style-type: none"> • Counter fraud and corruption 		x			
	<ul style="list-style-type: none"> • Supporting the ethical framework 		x			
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?		x		The self-assessment of good practice has been completed for 2021.	The self-assessment will be undertaken and presented to the committee annually

	Good practice questions	Yes	Partly	No	Comments	Actions
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	x			The Governance Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and associated activities.	N/A
10	Where coverage of core areas has been found to be limited, are plans in place to address this?		x		See comments in body of report.	Governance Committee to consider revised Terms of Reference
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	x			The Governance Committee does have any decision-making powers in relation to its audit functions.	N/A
Membership and support						
12	Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> Separation from the executive An appropriate mix of knowledge and skills among the membership A size of committee that is not unwieldy Consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement).		x		No member of the Executive may sit on the Governance Committee. All members of the committee receive training following their appointment to the Committee on their roles. Governance Committee consists of 8 elected members	Skills and Knowledge being assessed. Consider the appointment of an independent person
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?			N/A	An independent person has not been appointed for the Governance Committee.	N/A
14	Does the chair of the committee have appropriate knowledge and skills?	x			The Chair is an experienced member of the Governance Committee.	

	Good Practice Questions	Yes	Partly	No	Comments	Actions
15	Are arrangements in place to support the committee with briefings and training?	x			Briefings are held with the Chair/Deputy Chair of the Governance Committee prior to each meeting. All members of the committee receive training following their appointment to the Committee on their roles.	N/A
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	x			Skills and knowledge of the Governance Committee to be assessed	N/A
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	x			External Audit, the Chief Executive, Director of Governance and Service Lead Audit and Risk regularly attend Governance Committee meetings.	N/A
18	Is adequate secretariat and administrative support to the committee provided?	x			All meetings are attended by a member of the Democratic Services who support the Committee with their secretariat and administrative needs. All agendas and minutes of the meetings are published on the Council's website.	N/A
Effectiveness of the committee						
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			x	The Committee has not obtained feedback on its performance from those interacting with it or relying on its work	Short survey to be developed and issued to key stakeholders to obtain feedback
20	Are meetings effective with a good level of discussion and engagement from all the members?		x		Training on questioning techniques has recently been delivered at recent world café training event.	Build on the training to ensure that members feel confident in their role to challenge and question reports when presented at the meetings.

	Good Practice Questions	Yes	Partly	No	Comments	Actions
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	x			Internal Audit provide summaries of their findings and non-implementation of agreed actions are reported on an exception basis. Senior officers regularly attend committee meetings to present reports on subject matters appropriate for the committee.	N/A
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	x			Recommendations to improve the governance, risk management and control of the council are agreed by the Committee.	N/A
23	Has the committee evaluated whether and how it is adding value to the organisation		x		The Committee has not evaluated how it is adding value to the organisation, this can be added to the short survey to key stakeholders.	Short survey to be issued to key stakeholders to obtain feedback
24	Does the committee have an action plan to improve any areas of weakness?			x	Self-assessment contains actions for improvements	N/A
25	Does the committee publish an annual report to account for its performance and explain its work?	x			General reports of the Governance Committee meetings are regularly provided to Council. This will include the results of the Self-Assessment	N/A

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Suggested Terms of Reference	Current Status	Details of Compliance	Action
Statement of Purpose			
<p>1. Our Governance committee is a key component of Chorley Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.</p> <p>2. The purpose of our Governance Committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of Chorley Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.</p>			Statement of Purpose should be adopted.
<p>3. To review the council's corporate governance arrangements against the CIPFA / SOLACE Good Governance Framework, including the ethical framework and consider the Local Code of Governance.</p>	Compliant	Reports on the governance arrangements are considered by the Committee including the local code of governance and the Annual Governance Statement.	
<p>4. To approve the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.</p>	Compliant	Annual Governance Statement presented to committee prior to approval on an annual basis.	
<p>5. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.</p>	Compliant	Reports presented by External Audit provide a Value for Money opinion on an annual basis. Value for Money considered within Internal Audit reviews where appropriate and reported on an exception basis.	
<p>6. To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.</p>	Compliant	Reports presented to committee, including Internal Audit Annual Report, Strategic Risk Register Report, Annual Governance Statement report & update.	
Suggested Terms of Reference	Current Status	Details of Compliance	Action
<p>7. To monitor the effective development and operation of risk management in the</p>	Compliant	Risk Management Strategy	

council.		approved by Governance Committee April 2021 Strategic Risk Register presented to the Committee annually.	
8. To monitor progress in addressing risk relating issues reported to the committee.	Compliant	Reports presented to committee.	
9. To consider reports on the effectiveness of internal control and monitor the implementation of agreed actions.	Compliant	Reports presented to committee. Non implementation of agreed actions reported on an exception basis.	
10. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.	Compliant	Fraud risks / findings brought to the attention of the committee.	
11. To monitor the counter- fraud strategy, actions and resources.	Compliant	Annual review of the Council's Counter Fraud Policies presented to the committee in May 21	
12. To review the governance and assurance arrangements for significant partnerships or collaborations.	Non compliant		Report to be presented to Committee on an annual basis.
13. To approve the Internal Audit Charter.	Compliant	Internal Audit Charter approved by the committee April 21	
14. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.	Not applicable	In house service delivered.	
15. To approve the risk based internal audit plan including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.	Compliant	Internal Audit plan presented to and approved by committee annually.	
Suggested Terms of Reference	Current Status	Details of Compliance	Action
16. To approve significant interim changes to the risk based internal audit plan and	Compliant	Significant changes are reported	

resource requirements.		to committee.	
17. To make appropriate enquiries of both management and the Service Lead audit and Risk to determine if there are any inappropriate scope or resource limitations.	Compliant	Internal Audit plan presented to and approved by committee annually.	
18. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.	Compliant	Impairments / safeguards included within the Internal Audit Charter approved by Committee April 2021.	
19. To consider reports from the service lead audit and risk of internal audit's performance during the year, including the performance of external provider of internal audit services. These will include: <ul style="list-style-type: none"> a) Updates on the work of internal audit including key findings of issues of concern and action in hand as a result of internal audit work. b) Regular reports on the results of the Quality Assurance and Improvement Programme. c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement. 	Compliant	Annual and Interim reports presented to the Governance Committee in June, November and January. The committee is advised in the Annual Report that the Internal Audit service is compliant with the Public Sector Internal Audit Standards (PSIAS)& Local Government Application Note. In accordance with the PSIAS, the Internal Audit Service was externally assessed in April 2018 and the report presented to the Committee in May 2018.	
20. To consider the service lead audit and risk annual report: <ul style="list-style-type: none"> a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions. b) The opinion of the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing in Annual Governance Statement. 	Compliant	Annual report & opinion presented to the Governance Committee. The committee is advised in the annual report that the Internal Audit service is compliant with the Public Sector Internal Audit Standards & Local Government Application Note.	
Suggested Terms of Reference	Current Status	Details of Compliance	Action
21.To consider summaries of specific internal audit reports as requested.	Compliant	Included with interim and annual reports.	

22. To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.	Compliant	Non implementation of agreed actions reported on an exception basis.	
23. To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.	Compliant	The Chair / Vice Chair of the Committee were involved with the external quality assessment in April 2018.	
24. To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.	Compliant	Included with the Internal Audit Annual report.	
25. To provide free and unfettered access to the audit committee chair for the service lead audit and risk , including the opportunity for a private meeting with the committee.	Compliant	Arrangements incorporated within the Council's constitution	
26. To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.	Compliant	Reports presented to committee.	
27. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.	Compliant	Reports presented to committee	
28. To automatically refer any external auditor's report that has received a qualified opinion for consideration at the next available Full Council meeting	N/A	If required	
29. To consider specific reports as agreed with the external auditor.	Compliant	Reports presented to committee.	
29. To comment on the scope and depth of external audit work and to ensure it gives value for money.	Compliant	Reports presented to committee.	
30. To commission work from internal and external audit.	Compliant	As & when required.	
31. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.	Compliant	Arrangements incorporated within the Council's constitution & included within Internal Audit Annual report.	
Suggested Terms of Reference	Current	Details of Compliance	Action

	Status		
32. To approve the Annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.	Compliant	Reports presented to Committee.	
33. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.	Compliant	Reports presented to Committee.	
34. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.	Compliant	Report produced to full council on a regular basis.	
35. To report to full council on a regular basis on the committees performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose	Non compliant		Review to be undertaken annually.
36. To publish an annual report on the work of the committee	Compliant	Annual report to full council is a publicly available document	

Governance Committee

Statement of Purpose

1. Governance Committee is a key component of Chorley Borough Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of our Governance Committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of Chorley Borough Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Terms of Reference

Governance, Risk and Control

3. To review the council's corporate governance arrangements against the CIPFA/SOLACE good governance framework, including the ethical framework and consider the local code of governance.
4. To approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
5. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
6. To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
7. To monitor the effective development and operation of risk management in the council.
8. To monitor progress in addressing risk-related issues reported to the committee.
9. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
10. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
11. To monitor the counter-fraud strategy, actions and resources.
12. To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal Audit

13. To approve the Internal Audit Charter.
14. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
15. To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
16. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
17. To make appropriate enquiries of both management and the Service Lead – Audit & Risk to determine if there are any inappropriate scope or resource limitations.
18. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
19. To consider reports from the Service Lead – Audit & Risk on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
 - b) Regular reports on the results of the Quality Assurance and Improvement Programme.
 - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
20. To consider the Service Lead – Audit & Risk Annual report:
 - d) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.
 - e) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.

21. To consider summaries of specific internal audit reports as requested.
22. To receive reports outlining the action taken where the Service Lead – Audit & Risk has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
23. To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
24. To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.
25. To provide free and unfettered access to the Governance Committee Chair for the Service Lead – Audit & Risk, including the opportunity for a private meeting with the Committee.

External Audit

26. To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
27. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
28. To automatically refer any external auditor's report that has received a qualified opinion for consideration at the next available Full Council meeting.
29. To consider specific reports as agreed with the external auditor.
30. To comment on the scope and depth of external audit work and to ensure it gives value for money.
31. To commission work from internal and external audit.
32. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial Reporting

33. To approve the annual statement of accounts (with delegated power). Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.

34. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability Arrangements

35. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
36. To report to Full council on a regular basis on the committees performance in relation to the terms of refence and the effectiveness of the committee in meeting its purpose.
37. To publish an annual report on the work of the committee.

Regulatory Framework

38. To maintain an overview of the Council's constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
39. To review any issue referred to it by the Chief Executive, a Statutory Officer or a Director, or any Council body.

STANDARDS

40. To review and recommend amendments to the Council's Code of Conduct for Members and procedure for dealing with complaints.
41. To receive and hear and make decisions on standards complaints following investigation.
42. To hear appeals against decisions made at a hearing of a standards complaint.
43. To report sanctions imposed on Members to full Council.



Governance 2021 – 2022 Work Programme

26th May 2021

Report	Officer
Chorley Borough Council Audit Progress Report – May 2021	(External) Grant Thornton
Internal Audit Annual Report 20/21	Dawn Highton
Review of the Effectiveness of Internal Audit	Dawn Highton
Annual Review of the Council's Counter Fraud Policies	Dawn Highton
Annual Governance Statement	Chris Moister
RIPA Application	Chris Moister
CIPFA FM Code Assessment	James Thomson

28 July 2021

Report	Officer
Update on the Statement of Accounts	Tony Furber
Audit Findings	(External) Grant Thornton
Chorley Borough Council Annual Audit Letter	(External) Grant Thornton
Charity and Trust Account	James Thomson
Strategic Risk Update Report	Victoria Willett
RIPA Application	Chris Moister

24 November 2021

Report	Officer
Internal Audit Progress Report	Dawn Highton
Treasury Management Activity Mid-Year Review 2021/2022, Quarter Two Monitoring	Tony Furber
Internal Audit Plan Progress Report	Dawn Highton
RIPA Application	Chris Moister



19 January 2022

Report	Officer
External Audit Update	(External) Grant Thornton
Internal Audit Plan Progress Report	Dawn Highton
Update on the Chorley Council Capital Strategy	Gary Hall/ Louise Mattinson
RIPA Application	Chris Moister
GDPR Update	Chris Moister

16 March 2022

Report	Officer
Audit Progress and Sector Update Report	
External Audit Plan 2022 - 2023	
Internal Audit Plan	Dawn Highton
RIPA Application	Chris Moister