



**Minutes of** **Governance Committee**

**Meeting date** **Wednesday, 1 June 2022**

**Members present:** Councillor Mark Clifford (Chair) and Councillors Sam Chapman, Gordon France, Margaret France, Michelle Le Marinel, Dedrah Moss and Neville Whitham

**Officers:** Louise Mattinson (Director of Finance), Dawn Highton (Service Lead Audit and Risk), Dave Whelan (Shared Service Lead - Legal) and Nina Neisser (Democratic and Member Services Officer)

**Apologies:** Councillor Debra Platt and Peter Ripley (Independent Person)

**Other Members:** Charlotte Fitch (Independent Person)

### **22.G.1 Minutes of meeting Wednesday, 16 March 2022 of Governance Committee**

**Resolved – That the minutes of the Governance Committee meeting held on 16 March 2022 be confirmed as a correct record for signature by the Chair.**

### **22.G.2 Declarations of Any Interests**

There were no declarations of any interests.

### **22.G.3 Chorley Borough Council Audit Progress Report**

Matt Derrick, Grant Thornton presented the report of the External Auditor which provides an update on progress in delivering their responsibilities. The report also includes a summary of emerging national issues and developments that may be relevant to Chorley Borough Council as a local authority, as well as a number of challenge questions in respect of these emerging issues.

The main updates included:

- Grant Thornton have undertaken initial planning and interim work for the 2021/22 audit in March and April 2022. Work is expected to begin on the draft financial statements in August.
- A workshop/training session was delivered to officers to hopefully improve the audit process going forward.
- The Housing Benefit Subsidy claim has been certified in accordance with procedures agreed with the Department for Work and Pensions – although this was submitted later than the deadline.

The Committee noted that the External Auditors were proposing an additional fee of £17k in relation to the 2020/21 audit, partly due to the timeliness of responses from officers.

Members discussed the additional fees and were advised that the delays were a result of sickness absences and maternity leave within the finance team which meant that information was unable to be provided in a timely manner. Attempts had been made to recruit agency staff, but this had proved difficult working remotely. Reassurances were made that this has now been addressed and work has been undertaken to avoid this occurring going forward. A detailed timetable has been created and officers have undertaken a training session with Grant Thornton. Officers also met regularly with the External Auditors towards the end of the last audit which proved useful.

**Resolved -**

- 1. That the report be noted.**
- 2. That the committee approves the increase in the 2020/21 Audit Fee of £17,000.**

#### **22.G.4 External Audit Plan 2021-22**

Matt Derrick, Grant Thornton presented the report of the External Auditor on the Chorley Borough Council Audit Plan 2021/22 which summarises the findings of the initial planning.

The committee noted that the council has established wholly-owned subsidiary companies, Chorley Leisure Ltd and Chorley BC Property Ltd which may require consolidated accounts to be produced to report the group transactions and balances. An assessment of the impacts of group financial reporting considering requirements of the CIPFA code has been requested.

With regards to risks identified, Grant Thornton do not consider the fraud revenue recognition to be a significant risk to the council and therefore have rebutted this. Other risks identified include the management over-ride of controls, valuation of the pension fund net liability and valuation of land and buildings.

Members were advised that at the time of planning, the previous year's Value for Money work had not been completed, however the External Auditors hoped to report back on this shortly. The 2021/22 Audit would commence in August following the receipt of the draft Statement of Accounts with the hope of reporting back to the committee in November.

Members queried the previous examples where management may have over-ridden controls relating to procurement and the appointment of officers as highlighted in the report. Members were advised that this had not occurred in the last 12 months, but previous examples would be sent to Members.

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

#### **22.G.5 Management Response to External Audit Planning Enquiries**

Louise Mattinson, Director of Finance presented the report which outlines the management responses provided to the planning enquiries made by the External Auditors as part of the 2021/22 statutory accounts. In line with Auditing Standards, and

to support how Audit Planning process, the External Auditors need to establish the risk of fraud and error.

Some of these queries included key events over past 12 months, unusual significant transactions, and any changes to account policies that would impact the accounts for 2021/22. It was noted that Covid-19 and the continuation of Covid business grants as well as the creation of Chorley Leisure Ltd have had a significant impact.

With relation to question 11 on the accounting estimates, it was not a binary answer as outlined in the report. This response has since been adjusted to confirm that the accounts are prepared in line with the CIPFA guidance and code of practice. The council also takes on board and implements recommendations from previous audits and the accounts are reviewed by senior management to make comparison of the estimates proposed against the actual amounts to measure the accuracy of forecasting. There are no significant changes in how the 2021/22 statutory accounts are planned and will be delivered.

The Committee discussed the contents of Appendices A and B. In response to questions, Members were advised that the revised approach to Minimum Revenue Provision (MRP) which was adopted at budget council in February 2022 would have no impact on the 2021/22 statutory accounts as the changes are only applicable from April 2022 and no retrospective adjustments will be made. As figures outlined in the Council report, the charge under the new policy will be less and the same value will be spread over the life of the asset. The real time value of the pound will also decrease.

Members discussed the land and buildings valuations which were spread over five years to ensure all properties were valued at least once every five years. Market Walk was valued every year as this was an investment building. The planning appeals budget was outlined in preparation for any potential appeals should it be required.

**Resolved - To review and approve the management responses to the auditors enquiries.**

## **22.G.6 Charities and Trust Funds 2021/22**

Louise Mattinson, Director of Finance presented the report which sets out the accounts for the year ended 31 March 2022 for charities and trusts, for which the Council is the sole trustee, for approval.

The Council's Statement of Accounts 2021/22 does not include a disclosure on the Trust Funds held by the council. As an alternative, figures are presented in this report, which therefore provides an opportunity of providing more detail about each charity or trust.

Members noted that there are five charities or trust accounts, four of which have balances of less than or around £5000. No transactions have taken place on any of the accounts during the year. Three of the charities or trusts hold external investments. No sums have been disinvested and reinvested, but the market value of investments varies from year to year. Such changes in market value are reflected in the relevant accounts.

The committee queried the long-term plan for the money in the W B Park's Charity and H T Parke's Baths Fund to be brought into use and whether these funds could be used

across the borough. Members were advised that the accounts could be dissolved as Charities and Trusts via application to the Charities Commission in order to apply the proceeds for the purposes intended, subject to any specificities. The money in the W B Park's Charity and H T Parke's Baths Fund accounts were set up for a specific purpose in the specific areas however the William Cocker fund for recreation grounds in Chorley appeared more flexible on where this money can be spent in Chorley. This would also be subject to approval from the Charities Commission and officers would seek advice from the Commission on this.

**Resolved - That the accounts presented in Appendix A to E be approved.**

### **22.G.7 Internal Audit Annual Report and Opinion 2021-2022**

Dawn Highton, Service Lead for Audit and Risk presented the report which summarises the work undertaken by the Internal Audit Service during 2021/2022 and gives an opinion as required by the Public Sector Internal Audit Standards (PSIAS) on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The report also includes the results of the Quality Assurance and Improvement Programme.

Based on the work undertaken and evidence available to Internal Audit including other sources of assurance, it is considered that the overall adequacy and effectiveness of the Council's governance, risk management and control processes are adequate.

The key performance data for the Internal Audit Service during 2021-2022 demonstrates that the majority of performance indicators have either been achieved or exceeded. There are two indicators which are slightly below target:

- % of planned time used – this is due to the issues experienced over the course of the year with recruitment and retention of officers;
- % of agreed actions implemented by management, which is below target.

The committee discussed the audit opinion and the systems used to provide the audit ratings. In response to queries regarding management actions, Members were reassured that because of criticality of some of the actions identified, short timescales were assigned to these and they have now been implemented.

Following queries in relation to staffing issues, Members were advised that there was currently a shortage of Internal Auditors nationally and so the council would be recruiting a trainee auditor over the summer to be in post by September. There would be a full training package delivered to ensure they become fully qualified as soon as possible.

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

### **22.G.8 Review of the Effectiveness of Internal Audit 2022**

Dawn Highton, Service Lead for Audit and Risk presented the report which relates to the results of the self-assessment carried out by Internal Audit against the requirement of the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) as a means of assessing the effectiveness of Internal Audit.

The self-assessment demonstrates that the Service conforms with the Standards. There are 134 aspects of conformance, of which full conformance has been achieved

for 128. There are 5 areas which are not applicable to the Internal Audit Service with only 1 partial conformance related to fraud which is included in the draft Annual Governance Statement.

Members were reassured that the Council was not experiencing fraud, but the risk of fraud was considered in each audit review. CIPFA guidance contains a checklist which has also been completed to further improve fraud arrangements. The committee noted the Quality Assurance and Improvement programme.

It was noted that under question 1112 Chief Audit Executive Roles Beyond Internal Auditing (page 117), 'non-conforming' should also be crossed out to indicate conformance.

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

### **22.G.9 Draft Annual Governance Statement**

Dave Whelan, Service Lead for Legal presented the report of the Director for Governance which presents the Annual Governance Statement for 2021/22.

The Annual Governance Statement has been prepared in accordance with CIPFA/SOLACE Guidance and has drawn from evidence sources identified in the statement to reach its conclusions. The Council is required to ensure that it has in place a sound system of governance, that is regularly reviews the effectiveness of that system and that it continually seeks to achieve best value in service delivery. As part of that, the council is required to publish an Annual Governance Statement (AGS).

The council has an up to date code of governance in place and the existing governance framework is reviewed against the principles in that code. The AGS provides reassurances that there is sound governance in place.

Of the identified governance issues from the previous year, one action had been substantially completed, four actions completed, one ongoing and two carried forward. The council has also identified improvements to strengthen the corporate governance arrangements for the coming year which focus on processes/systems, staff development and corporate themes.

The committee noted the draft Annual Governance Statement and discussed any issues identified.

**Resolved - That the Annual Governance Statement be approved as a correct statement of the Council's governance environment and be recommended to the Leader and Chief Executive for signature.**

### **22.G.10 RIPA Application Update**

Dave Whelan, Service Lead for Legal reported that no RIPA applications had been made.

**22.G.11 Work Programme**

The Committee considered the work programme for 2022/23 which set out the reports to be considered at each Governance Committee meeting throughout the Council year.

Members were advised that this would be updated for the next meeting.

**Resolved – That the work programme be noted.**

Chair

Date