

MINUTES OF GOVERNANCE COMMITTEE

MEETING DATE **Wednesday, 24 July 2019**

MEMBERS PRESENT: Councillor Debra Platt (Chair), Councillor Anthony Gee (Vice-Chair) and Councillors Steve Holgate, Roy Lees and Kim Snape, Peter Ripley (Independent Person).

OFFICERS: Gary Hall (Chief Executive/Statutory Finance Officer), Janice Bamber (Interim Audit and Risk Manager), Michael Jackson (Principal Financial Accountant), Ruth Rimmington (Democratic and Member Services Team Leader), Mark Heap (Grant Thornton UK LLP) and Simon Hardman (Grant Thornton UK LLP)

APOLOGIES: Councillors Eric Bell, Jean Cronshaw and Yvonne Hargreaves

19.G.79 Minutes of meeting Wednesday, 5 June 2019 of Governance Committee

Decision – That the minutes of the Governance Committee meeting held on 5 June 2019 be confirmed as a correct record for signature by the Chair.

It was noted that, following a recruitment exercise Charlotte Fitch was appointed as the second Independent Person for a period of two years at the Council meeting the previous evening.

19.G.80 Declarations of Any Interests

There were no declarations of any interests.

19.G.81 Audit Findings Report

With the consent of the Chair this report was brought forward on the agenda.

Mark Heap, Grant Thornton, presented the report and advised that there are no significant matters to be resolved relating to the statutory audit and the preparation of the Council's financial statements for the year ended 31 March 2019. It is anticipated that an unqualified audit opinion will be issued by 31 July 2019, subject to final reviews and checks.

A risk-based review of the Council's value for money arrangements has been undertaken and it is anticipated that an unqualified value for money conclusion will be issued by 31 July 2019, subject to final reviews and checks. Some recommendations for improvement have been agreed with management.

The External Auditor has not found it necessary to exercise any additional statutory powers or duties.

The materiality for the financial statements is £1.104 million and the audit is risk based. Specifically, the following risks were reviewed; improper revenue recognition, management override of controls, valuation of land and buildings and valuation of pension fund net liability, with particular reference to the McCloud judgement.

In terms of key judgements and estimates there is nothing specific to report and the use of the going concern assumption is appropriate.

Mark Heap, Grant Thornton, noted that timescales to undertake the audit are challenging and thanked the officers from the Finance Team for their professionalism and assistance. The Chief Executive, Gary Hall, echoed this thanks to the team for their excellent work.

Members queried the audit and non-audit services on Appendix C and noted this relates to potentially recurring fees for work undertaken for the Certification of Housing Benefits Subsidy Grant and Homes England. The declaration is to ensure that there are no significant facts or matters that impact on Grant Thornton's independence as auditors.

Members noted that this would be the final Governance Committee for Michael Jackson, Principal Financial Accountant. The Chair, Councillor Debra Platt, Members of the Committee, the Chief Executive, Gary Hall and representatives from Grant Thornton thanked Michael for his work over the years, his professionalism and for being an exceptional officer.

Decision: That the report be noted.

19.G.82 Statement of Accounts 2018/19

Michael Jackson, Principal Financial Accountant, presented the report and advised that approval of the audited Statement of Accounts and publication by 31 July 2019 is a requirement of The Accounts and Audit Regulations 2015. The approved and signed Statement will be published on the Council's website.

There have been no material changes to the Statement of Accounts from the draft version published on 31 May 2018 which affected the financial position of the Council. As discussed in the previous agenda item the External Auditor anticipates providing the Council with an unmodified audit report, with a limited number of further tests to complete.

There is one change required following the Council meeting the previous evening relating to note 7. This was circulated prior to the meeting relating to one material non-adjusting event after the Balance Sheet date.

Members noted that approval of the Statement of Accounts is subject to the satisfactory completion of the audit by 31 July. On this basis the Chief Executive and the Chair of the Governance Committee will sign the Letter of Representation on 31 July. However, In the event the Chief Financial Officer 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.

Decision:

- 1. To approve the audited Statement of Accounts for 2018/19 (Appendix A), subject to any amendments which in the opinion of the Chief Financial Officer (Section 151 Officer) are minor in nature, such minor amendments to be defined as nonmaterial to the financial position of the authority. The Chief Financial Officer will exercise this delegation in consultation with the Chair of Governance Committee. In the event the Chief Financial Officer 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. To authorise the Chief Executive and Chair of Governance Committee to sign the Letter of Representation (Appendix B).**

19.G.83 Treasury Management Annual Report 2018/19 and Monitoring 2019/20

Michael Jackson, Principal Financial Accountant, presented the report which advises on compliance with Prudential and Treasury Indicators in 2018/19. The return on investments for the year was 0.61%, which exceeded the benchmark of 0.57%.

Details of borrowing and investments as at 31 March and at 30 June 2019 were noted, and Link Asset Services set out interest rate forecasts for 2019/20 and subsequent financial years.

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). The CFR is not matched in full by external borrowing, so the Council is said to have under borrowed by using its own cash balances to finance capital expenditure. There is some loss of interest as a result, but had external loans been taken the interest payable would have been at a higher rate. Use of the Council's own cash helps to achieve savings in net interest.

It was highlighted that on 23 July 2019 Council approved a temporary increase in investment limits to allow higher balances to be held in liquid accounts, in order to manage cash flow until the purchase of a site is completed.

Prudential and Treasury Indicators were revised to take account of rephasing of expenditure from 2018/19 and other changes in 2019/20, plus the addition of the site purchase to the 2019/20 capital programme. The purchase is to be funded by external borrowing, and the Operational Boundary and Authorised Limit in particular needed to be increased before taking the borrowing. The margin between the Authorised Limit and Operational Boundary has been increased to allow temporary borrowing, probably from another local authority, to cover the payment of Value Added Tax. When the VAT is reclaimed from HMRC the temporary borrowing will be repaid.

Decision: That the report be noted.

19.G.84 Internal audit progress report as at 30 June 2019

Janice Bamber, Interim Audit and Risk Manager, presented the report which provides a summary of Internal Audit work undertaken for Chorley Council and the Shared Services element for the period 1 April to 30 June 2019.

Two items carried forward from the 2018/19 plan have now been completed; Financial Governance Arrangements in Major projects and Cash and Bank.

The main area of review for the initial quarter is the work undertaken in respect of the Annual Governance Statement. Internal Audit undertake a review and assessment of the Council's Governance Framework, its Risk Management and the overall control environment. This is a major piece of work for Internal Audit and ensures that the Council's Governance is independently assessed.

A number of reviews have been started in the first quarter and are in the process of being completed, including Asset Management – repairs and maintenance, Commercial Properties and Corporate Credit Cards.

A number of resource issues arose last year in the Shared Assurance Service that impacted on the Internal Audit Service. Following this a temporary Internal Auditor to support the Audit Team and an administration post to support the Insurance service have been appointed. A member of the Internal Audit team is also acting up to provide review and oversight of audit work.

Members advised if further resources were required the Chief Finance Officer will take any action required.

The work relating to Environmental Permitting Regulations discussed at the last meeting will be reported to the next meeting.

Decision: That the report be noted.

19.G.85 RIPA Application Update

The Chair reported that no RIPA applications had been made.

19.G.86 Work Programme

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

Chair

Date