

## **Report of the Governance Committee**

1. This report summarises the business undertaken at the Governance Committee meeting held on 24 November 2021 and 19 January 2022.

### **Governance Committee – 24 November 2021**

#### **Updated 19/20 Audit Findings Report**

2. We welcomed Michael Green from Grant Thornton. There is no change to the financial statements within the report since the update in July 2021.
3. The value for money work was completed under the previous audit practice which provides a binary judgement of qualified or unqualified, and considered three core criteria – informed decision making, sustainable resource deployment and working with partners and other third parties.
4. Two significant risks were identified. The first is financial sustainability and the second is the purchase of Logistics House.
5. Grant Thornton are satisfied with the Council's financial sustainability and understands that the purchase of Logistics House was carried out on a timetable. There are no concerns with the choice of investment made by the Council.
6. The report focuses on the arrangements in place to support the decision making process around the investment and that all Members received relevant information to ensure informed decision making.
7. Grant Thornton issued a 'qualified except for opinion' on the value for money conclusion and provided five recommendations to improve future decision making in respect of such investments:
  - The Council should maintain a record of the attendance and minutes for informal member meetings where key decisions are being discussed
  - The Council should ensure the due diligence for commercial investments considers the likely financial performance in the short to medium term, not just an historical financial perspective.
  - The Council should prepare business cases to support its commercial investment projects
  - The Council should follow its risk management framework and ensure the risks are rated and recorded on its GRACE risk management system.
  - The Council should consider how confidential information can be shared with members without disclosing restricted elements of the information. Wherever possible, Full Council should have access to all relevant information with only a limited amount redacted to enable informed decision making.
  - The Council should ensure that Cabinet and Full Council decisions are supported with legal advice that considers all the possible options, third party advice may be beneficial in supporting these decisions if the specialist advice cannot be provided internally.
8. The Director of Governance does not fully agree with the opinion but accepts the recommendations to improve.
9. We noted the report.

## **Appointment of External Auditors**

10. We welcomed Dawn Highton Service Lead - Audit and Risk to present her report. She recommended the Council opted into the PSAA Sector Led National Scheme, as it would allow the Council to work within regulations and gain experience while contracts and fee settings are managed. If the Council decided to not opt into the scheme, the outcome would be the same with greater resources exhausted.
11. We voted unanimously to approve Officer recommendations.

## **Internal Audit Interim Report as at 29 October 2021**

12. Dawn Highton presented the report covering work that was completed between April and October 2021.
13. Ratings of 'substantial' or 'adequate' was awarded to the majority of work. Only the review of 'Primrose Gardens' was given limited assurance. A number of improvements have been agreed with all actions due to be implemented by the end of February 2022, with the exception of one which had a longer implementation timescale. .
14. There is a delay in the delivery of the Audit Plan, due to the underestimation of recruitment timescales.
15. The implementation of management actions underperformed, but a newly implemented systematic approach delivers monthly reports to Directors.
16. We noted the report.

## **Treasury Management Activity Mid-Year Review 2021/22**

17. We welcomed Tony Furber, Principal Financial Accountant to present the report.
18. The cash balance at the start of September 2021 was just short of £10 million, a figure larger than usual for Chorley as levels are usually between £5 million and £6 million but this reflects the unusual circumstances that have prevailed due to Covid-19, e.g. business grant funding provided for onward distribution to businesses.
19. Average earnings on cash investments for the first half of 2021 was 0.06%, which has been confirmed by our Treasury Management Advisors, Link Asset Services, as a credible result under the circumstances.
20. In light of the prevailing situation, Link Asset Services abandoned their recommended target earning rate and settled on a flat standard of 0.1%. Due to the size of the Council's portfolio, the 0.1% figure is based on an assumption of deposits averaging three months. The cash flow of the Council does not correspond with this assumption and in the context, 0.06% is a good result.
21. Interest rates are projected to rise steadily to 1.25% over the coming years.
22. There was no external borrowing in the first half of the year however it is expected that a drawdown of PWLB will be likely in the second half.
23. We noted the report.

## **Governance Committee Guidance and Effectiveness Review**

24. Dawn Highton explained that in 2018, CIPFA issued guidance for Audit Committees. A self-assessment was completed, and the Committee is largely operating in line and meeting best practice. The self-assessment recommended:
  - The self-assessment is completed annually and findings presented to the Governance Committee.
  - The Committee should consider appointing an independent person with audit or financial experience.
  - A short survey should be developed by the Service Lead - Audit and Risk in collaboration with the Chair and issued to stakeholders to assess the Committee's value.
  - Training provided to address the needs of the committee when required.
25. The Council completes a self-assessment relating to safeguarding
26. Committee Members wanted additional information relating to the risks with the Terms of Reference, with a focus on the Council's management of lockdown and Covid-19. We agreed for the item to return in January following amendments raised.

## **RIPA Application Update**

27. No RIPA applications made.

## **Chorley Borough Council Audit Progress Report and Sector Update**

28. We welcomed Georgia Jones from Grant Thornton to update the Committee on the progress of the audit.
29. The 2020/21 Financial Statement Audit has commenced and is progressing well and the Audit Findings Report will be presented to the Governance Committee in January 2022 or March 2022 depending on the progression of the audit work.
30. The 2020/21 value for money audit work is underway and the conclusion is scheduled to be issued within three months of the audit opinion on the Financial Statements being provided. As for all local authorities, the scope of the value for money work will be wider this year to provide a full report that features findings and recommendations.
31. The certification of the Housing Benefit Subsidy Claim is due to start, with a report to be produced at the end of January 2022.
32. The report was noted.

## **Governance Committee – 19 January 2022**

33. To Follow

## **Recommendation**

34. To note the report

Councillor Debra Platt

Chair of the Governance Committee

MP