

Governance Committee

1. This report summarises the business undertaken at the Governance Committee meeting held on 1 June 2022.

General Report of the Meeting Held on 1 June 2022

Chorley Borough Council Audit Progress Report

2. Matt Derrick, Grant Thornton presented the report of the External Auditor which provided an update on progress in delivering their responsibilities. The report also included 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.
3. We 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.
4. We 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. We approved the recommendations in the report.

External Audit Plan 2021/22

5. Matt Derrick, Grant Thornton presented the report of the External Auditor on the Chorley Borough Council Audit Plan 2021/22 which summarised the findings of the initial planning.
6. We 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 had been requested.
7. With regards to risks identified, Grant Thornton did 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.
8. We 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.
9. We queried the previous examples where management may have over-ridden controls relating to procurement and the appointment of officers as highlighted in the report. We were advised that this had not occurred in the last 12 months, but previous examples would be provided. We noted the report.

Management Response to External Audit Planning Enquiries

10. Louise Mattinson, Director of Finance presented the report which outlined the management responses provided to the planning enquiries made by the External Auditors as part of the 2021/22 statutory accounts.
11. Some of these queries related to key events over past 12 months, unusual significant transactions, and any changes to accounting policies that would impact the accounts for 2021/22. It was noted that Covid-19 and the continuation of the distribution of Covid Business Grants, as well as the creation of Chorley Leisure Ltd, have had a significant impact.
12. With relation to question 11 on the accounting estimates, it was not a binary answer as outlined in the report. This response had since been adjusted to confirm that the accounts were prepared in line with the CIPFA guidance and code of practice. The council also took on board and implemented recommendations from previous audits and the accounts were reviewed by senior management to make comparison of the estimates proposed against the actual amounts to measure the accuracy of forecasting. There were no significant changes with regard to planning for and delivering the 2021/22 statutory accounts.
13. We discussed the contents of Appendices A and B. In response to questions raised, we were advised that the revised approach to the calculation of the 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 were only applicable from April 2022 and no retrospective adjustments would be made. As figures outlined in the Council report, the annual MRP charge under the new policy would be less in each of the next few years however the total value of the charge remained the same and would be spread over the life of the asset. The profile of MRP charges would be higher in future years, however it was noted that inflation would diminish this in 'real terms'.
14. We discussed the valuation of land and buildings; all assets are valued on a cyclical basis ensuring all properties were valued at least once every five years. However, it was noted that Market Walk is valued every year as this was classed as an investment property. We approved the recommendations in the report.

Charities and Trust Funds 2021/22

15. 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 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 provides more detail about each charity or trust.
16. We noted that there were five charities or trust accounts, four of which have balances of less than, or around £5,000. 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 were reflected in the relevant accounts.
17. We 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. We 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 specific areas, however the William Cocker fund for recreation grounds in Chorley appeared more flexible on where this money could be spent. This would also be subject to approval from the Charities Commission and Officers would need to seek advice from the Commission on this. We approved the recommendations in the report.

Internal Audit Annual Report and Opinion 2021-2022

18. Dawn Highton, Service Lead for Audit and Risk presented the report which summarised the work undertaken by the Internal Audit Service during 2021/2022 and gave 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 included the results of the Quality Assurance and Improvement Programme.
19. Based on the work undertaken and evidence available to Internal Audit including other sources of assurance, it was considered that the overall adequacy and effectiveness of the Council's governance, risk management and control processes were adequate. The key performance data for the Internal Audit Service during 2021-2022 demonstrated that the majority of performance indicators have either been achieved or exceeded. There were two indicators which are slightly below target.
20. We discussed the audit opinion and the systems used to provide the audit ratings. In response to queries regarding management actions, we were reassured that because of criticality of some of the actions identified, short timescales were assigned to these and they had been implemented.
21. Following queries in relation to staffing issues, we 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. We noted the report.

Review of the Effectiveness of Internal Audit 2022

22. Dawn Highton, Service Lead for Audit and Risk presented the report which related 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.
23. The self-assessment demonstrated that the Service conforms with the Standards. There were 134 aspects of conformance, of which full conformance had been achieved for 128. There were 5 areas which were not applicable to the Internal Audit Service with only 1 partial conformance related to fraud which was included in the draft Annual Governance Statement.
24. We were reassured that the Council was not experiencing fraud, but the risk of fraud was considered in each audit review. CIPFA guidance contained a checklist which had also been completed to further improve fraud arrangements. We noted the Quality Assurance and Improvement programme. We noted the report.

Draft Annual Governance Statement

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

26. The Annual Governance Statement had been prepared in accordance with CIPFA/SOLACE Guidance and 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 it 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).
27. 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.
28. 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 also identified improvements to strengthen the corporate governance arrangements for the coming year which focus on processes/systems, staff development and corporate themes.
29. We noted the draft Annual Governance Statement and discussed any issues identified. We approved the recommendations in the report.

RIPA Application Update

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

Recommendations

31. To note the report.

Councillor Mark Clifford
Vice-Chair of the Governance Committee

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