

## **Governance Committee**

1. This report summarises the business undertaken at the Governance Committee meetings held on Wednesday 22 May 2024.

### **General Report of the Meeting Held on 22 May 2024**

#### **2022/23 External Audit Plan**

2. We welcomed Gareth Winstanley, External Audit Manager from Grant Thornton to present the 2023/2024 External Audit Plan.
3. Our attention was drawn to three significant risk areas that had been identified in the plan, though it was noted that these were areas that are commonly considered around the override of controls, valuation of land and buildings and valuation of the pension fund liability.
4. We noted how the report sets out the materiality thresholds and includes the rationale although it was confirmed that there hadn't been a significant change since the previous year. Changes in auditing standards and subsequent requirements were also highlighted, as well as the key themes of financial sustainability, governance, economy, efficiency and effectiveness in assessing value for money arrangements. Receipt of the accounts and commencement of the audit is scheduled for July of this year with an expectation to bring the audit findings report to the Committee's meeting in November 2024.
5. In response to questions around capacity and the adequacy of resources to meet the demand imposed by changes to the audit standards, we were informed that work to invest in the team and build expertise and resilience had been carried out. Improvements in internal controls and processing throughout the year would also alleviate pressure when the final accounts were being produced. We were reminded that whilst the 31 May 2024 deadline for publishing draft accounts would be unachievable, the team were well placed to complete work by 30 June 2024, in time for the audit to commence in July.
6. With regards to changes to auditing standards referenced within the report, it was confirmed that the new standards had been implemented. Initial work had been carried out last year but any changes to those business processes and systems would be reviewed in order to provide assurances in this area. Furthermore, we approved the proposed audit fees contained within the report.

#### **Internal Audit Annual Report & Opinion 2023-2024**

7. We invited the Head of Audit and Risk to present the annual summary of work undertaken by the Internal Audit Service and provide an opinion, as required by the Public Sector Internal Audit Standards, of the adequacy and effectiveness of the council's framework of governance, risk management and control.
8. We were reassured that the Head of Audit and Risk was confident of their independence and reported no impairments or restrictions to the work of the team. To support this there are direct reporting lines to the Chair of the Governance

Committee and the Chief Executive, and safeguards were in place given the other service areas that the Head of Service has responsibility for, as demonstrated by a third party undertaking an audit on the risk management provision included within the agenda.

9. The report outlines areas of work carried out over the past year and summarises the findings, with five reviews receiving a 'substantial' assurance, five 'adequate' and five 'limited, with two of the latter concerning housing standards and event management appended to the report. We also welcomed progress updates on actions in relation to the three other limited reports, sundry debtors, physical security and environmental controls and driving licence checks.
10. We were directed to the final sections of the report which highlighted other work of the team, including proactive support and membership of project groups across the council, to support an effective control environment and overall performance of the team. The service also contributes to the production of the Annual Governance Statement.
11. Although there had been five limited assurance ratings, it was acknowledged that there had been positive progress on agreed actions with many implemented already that have addressed the key issues identified.
12. Given the evidence provided by reviews undertaken by the Internal Audit Service through the year, and supplemented by 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 for the financial year ending 31 March 2024.
13. In response to a request regarding the costings related to the physical security and environmental controls report, a further update would be provided after the meeting.
14. Responding to queries raised about the actions agreed around the governance of event management, the Head of Communications and Visitor Economy clarified the work already underway which included project plans being produced and a greater focus on documentation around health and safety and budgeting. Plans for the Flower Show were largely finalised for this year, however planning for 2025's event had already started and areas for improvements being reviewed.
15. On a number of recommendations rejected following the review of risk management, specifically around 1-2-1 meetings, we were advised this would be for all staff and was considered unnecessary given existing appraisal processes in place and prominence of risk management at a departmental level.
16. Providing reassurance around the production of policies outlined within the event management action plan, we heard that many of the actions were already being implemented and that the policies would consolidate this into one document, with this to be completed following the delivery of a number of large events in the coming months. It was also noted that the policy would also support other services across the council, as well as external partners to run events effectively.

17. On outstanding balances of sundry debts, it was confirmed that these levels are included within the quarterly capital monitoring process with an outturn report currently being prepared. Current levels however, is around £1.3 million. This level had reduced following the review earlier in the year, with a more proactive approach being taken through regular monitoring.
18. Following queries regarding the adequacy of staffing within the housing team to achieve the agreed actions within the report, we heard that a proactive housing officer had been employed to review policies and procedures but the service had seen an increase in reactive housing standard complaints with national press attention in this area. Furthermore a new Head of Public Protection was due to start in July to support delivery of the agreed actions. Responding to a question over capacity within the public protection service, it was noted that a service review was underway. We noted the report.

### **Internal Audit Effectiveness Review**

19. The Chair invited the Senior Auditor to present the report which noted the findings of the annual self-assessment exercise the internal audit service undertakes as a requirement of the Public Sector Internal Audit Standards.
20. We were pleased to note that the internal audit service conformed to 130 of the 135 aspects of conformance, with the remaining 5 aspects not being applicable.
21. We were also advised that the new Global International Audit Standards which had been published in January 2024 would be effective from 2025 and that work was already underway to ensure the service conforms to them. We noted the report.

### **Chair of Governance Committee Response to External Audit Planning Enquiries**

22. The Senior Auditor was invited to present this report which set out the Chair of the Governance Committee's responses provided to the planning enquiries made by the External Auditors, Grant Thornton. The responses required formed part of the annual audit process in relation to the 2023/2024 statutory accounts. We subsequently approved the Chair of Governance Committee's responses to the external auditors' enquiries.

### **Management Responses to Audit Planning Enquiries**

23. The Director of Finance presented this item which informed the Committee of management responses provided to the external auditor, Grant Thornton as part of their audit of the 2023/24 statutory accounts.
24. We were advised that the responses outlined within the report supported the external auditors planning process ahead of the commencement of the audit later in the year and includes areas around the council's approach to fraud and how risk of fraud is assessed along with wider questions about financial sustainability, accounting estimates and the pension liability.
25. Responding to a query about the prominence of Chorley's position, we were advised that value for money assessments undertaken as part of the audit would

provide greater detail and be reported within the Annual Auditor's report. We subsequently approved the management responses to the external auditor's enquiries.

### **Charity and Trust Fund Final Accounts**

26. The Director of Finance presented the report which sought approval for the accounts of the charities and trusts that the Council is the sole trustee of for the year 2023/2024.
27. This annual report is presented to us to provide transparency given that the five charity and trust funds detailed are not included within the statutory accounts and therefore not required to be audited. As they are largely inactive, several having relatively small balances and, in some instances, identifying trustees being challenging, a recommendation to Cabinet to close down the accounts and transfer remaining balances to another body is to be proposed at a future meeting.
28. In relation to the registered charity using the proceeds of the Former Free Library, further discussions would be required with the Charity Commission on how best to manage the account. We approved the accounts presented within the report.

### **CIPFA Resilience Index**

29. The Director of Finance presented this report which measures the Council's performance against a suit of indicators that form the CIPFA Resilience Index for 2022/23.
30. We were advised that local authorities are required to produce a Revenue Outturn (RO) report on an annual basis that covers types and levels of expenditure and borrowing which helps central government understand the sustainability of local authorities. Using this publicly available information The Chartered Institute of Public Finance and Accountancy (CIPFA) have focused on eight key indicators as a measure of financial sustainability and provide comparisons with authorities, or nearest neighbours in terms of size and demographics, across the country to Chorley.
31. Overall, Chorley had a comparatively lower level of reserves to the nearest neighbour's group which suggested this be an area for further monitoring. It was however noted that reserves had returned to pre-Covid levels. In relation to indicators around levels of and costs of borrowing, Chorley was relatively high in the comparative group but this was not unexpected given the number of significant investments the council has made in recent years. We were reassured that although levels of borrowing were higher, the data did not include the wider context that the costs are covered and indeed, generate a surplus, from the income received from the returns on investment.
32. We welcomed the strong performance of the council around the fees and charges it generates and stable position of growth in business rates. Finally, the council's reliance on council tax to fund the budget was also noted. We noted the report.

### **Annual Governance Statement (Draft)**

33. The Director of Governance and Monitoring Officer presented the draft Annual Governance Statement for approval.
34. Our attention was drawn to section four of the document which outlined the processes to review the effectiveness of the council's governance frameworks and referenced the re-establishment of the Corporate Governance Group in response to governance issues that had arisen. The group was now meeting regularly and was spearheading the greater focus on governance across the organisation and taking ownership of matters including risk, compliance, management and Annual Governance Statements actions and external audit.
35. A nearly fully staffed senior management and leadership team over the last twelve months had also seen a significant difference with this providing a platform for improvements in all areas of governance to be achieved.
36. Changes in the way the services assurance statement was developed this year was highlighted, as part of which Heads of Service were invited to all meet, self-reflect and share good practice amongst their peers. The result of which was a positive and productive session that will be repeated later in the year.
37. Although the section regarding complaints needed completing, it was confirmed that there had been no complaints made to the Local Government Ombudsman upheld.
38. The work carried out to embed risk management across the council, through the GRACE system, was also improving. Furthermore, issues identified around escalation of risks had been addressed within the revised Risk Management Strategy.
39. Updates to section five of the document included a different way of categorising the current position with 'partially implemented' now not being carried over to the subsequent year if sufficient work had been done to provide assurance that it was no longer a significant issue for the council. Issues around sundry debtors that had been highlighted in the past year had been acknowledged within the document, as were the key recommendations of the external audit.
40. On whether it would be possible for members to attend and observe meetings of the Corporate Governance Group it was acknowledged that it was an officer led group looking at operational risks. However, we were reassured that the Committee would see the same information when update reports on management actions are brought before them. Further work was welcomed on informing members of the various groups in operation and their role, such as the Corporate Governance Group and the Information Security Council.
41. Questions were asked on mitigating the risks around cyber security, including the training of staff and other measures in place. We heard that a new cyber security officer had been recruited in the past twelve months to strengthen this area, alongside training carried out specifically around the threat from phishing, penetration testing was also undertaken by external agencies to identify any weaknesses. At our request, a member learning session around cyber security would be arranged for all members, in addition to a shorter presentation by the Director of Customer and Digital for the Governance Committee.

42. Responding to a query over Committee receiving an annual update on standards complaints, their nature and outcomes, it was agreed that an update would be brought to a future meeting. It was however stressed that there was a relatively low number of complaints received given the number of councillors at Chorley and was not deemed a significant issue. We approved the draft Annual Governance Statement, subject to any minor amendments.

### **Suspension of Standing Orders – Public Questions**

43. The Director of Governance and Monitoring Officer presented this item which sought the recommendation of the Committee as to the continuation of the suspension of standing orders around public questions as approved by Council on 16 April 2024.

44. We were advised of the options available with regards to the ongoing suspension of standing orders which had been agreed as a temporary measure following a public disturbance at an earlier meeting. Given the fluid and changing circumstances in the Gaza/Israel region and risk of increased political tensions should a General Election be called in the near future, we recommended that the suspension should remain and that it continue to be reviewed.

### **Recommendations**

To note the report.

Councillor Alan Platt

Chair of the Governance Committee

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